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18 MARCH 1991



# ***JPRS Report***

## **Soviet Union**

### ***Economic Affairs***

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# Soviet Union

## Economic Affairs

JPRS-UEA-91-013

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18 MARCH 1991

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Pavlov's Cabinet Proposal, Effects on Economy Discussed

914A0490A Moscow IZVESTIYA in Russian 26 Feb 91  
Union Edition p 2

[Interview with economist Boris Zakharovich Milner by V. Romanyuk: "New Structures, Old Approaches; On the Concept of Executive Power as Proposed by Prime Minister V.S. Pavlov"]

[Text] Taking into consideration the current situation, it is vitally important to broaden the front of action of market structures. However, in this connection we must not anticipate events and unnecessarily break down existing units. We cannot make direct use of the existing global experience in terms of transitional periods, for no country in the world has as yet been able to reach the market by breaking down supermonopoly hierarchical structures which were systematically erected and which sunk roots in the course of many decades. No other country in the world, on its way to the market, has been forced to change within a short time the "rules of behavior" of the system as a whole, and break the firmly cemented administrative ties and antieconomic relations. No one has had to advance toward the market while surmounting the deeply rooted and historically stereotyped command-subordination mentality of millions of people for three entire generations.

Such is the view of Doctor of Economic Sciences B. Milner, deputy director of the USSR Academy of Sciences Institute of Economics, who talked with IZVESTIYA's correspondent.

[Romanyuk] Boris Zakharovich, to what extent, in your view, are the proposals of the prime minister concerning the structure of the cabinet consistent with the objective of establishing a market economy?

[Milner] I assume that, as a whole, the suggested structure for the highest level of state management is consistent with contemporary requirements. Today we need a suitably strong executive authority which can pull the country out of a deep economic crisis. To this effect, it must be efficiently structured, with a sensible distribution of functions both within the superior echelon as well as between the center and the republics. After the sovereignty of the republics was proclaimed this became one of the key problems.

The strong side of the proposals is the fact that within the structure of the executive authorities the role of institutes related to the conversion to the market is increased. I am referring to the establishment of the State Council for the Economic Reform. This authority has been granted extensive rights in planning the entire market infrastructure. Equally important is the fact that it will be headed by the prime minister himself.

[Romanyuk] The authors of the draft were concerned with granting the cabinet great powers in the nature of directives such as, for example, the right to promulgate resolutions which are mandatory to all agencies, organizations, officials, and citizens throughout the country, as well as the right to pass resolutions on matters within the jurisdiction of the USSR Supreme Soviet in the area of national economic management. Does this not make the executive authority excessively powerful?

[Milner] Such strengthening is justified by the situation which has developed in the country. We must, step by step, lead the country out of the crisis, normalize the consumer market, and take steps leading to a conversion to market relations. This cannot be achieved without strengthening the effective functions of the executive authorities. Incidentally, this is confirmed by the lessons of the recent past: dragging our feet in decision making, endless compromises and time delays, and simply incompetence, all of which has had a pernicious influence on our economy. In practical terms, no single program related to conversion to the market has been implemented. Therefore, the cabinet needs a strong power. Taking into consideration the fact that the cabinet is directly subordinate to the USSR president, it thus becomes a question of the exercise of presidential rights, which includes the rights granted to him by the Supreme Soviet.

[Romanyuk] The initial discussions of the proposals concerning the structure and basic areas of activities of the new cabinet have indicated that, for the time being, no satisfactory solutions to the "center-republics" problem have been found....

[Milner] We see in the suggested variant just the tip of the administrative pyramid, somehow hanging in the air; no management on the republic level is visible, even in its consolidated aspect. Yet total clarity must exist as to who is managing what: the center, the republics, or the local authorities. Generally speaking, if the economy can no longer be managed, the structure of the executive powers must assume something I would describe as an antichaotic nature. Yet it is precisely this that raises questions: the structure seems to have been outlined but the conditions under which it could operate efficiently have not been defined.

[Romanyuk] It is possible that this element of vagueness is due to the still lacking Union treaty? As we know, Russia, the Ukraine, and Belorussia called for forming a cabinet only after the signing of the Union treaty, so that the cabinet would have the rights stemming from the treaty.

[Milner] This would be ideal. However, the prime minister is also right by pointing out the danger of leading the national economy into the "mire of rightlessness" for an indefinite period of time. Everything will fall into its proper place if this structure is considered not as something set once and for all but as a temporary option.

Following the adoption of the Union treaty, the necessary refinements may be made to the structure: something could be strengthened or weakened. Already now, however, we should determine more clearly the entire range of relations between the Union and the republics. For the time being, to a large extent the structure of the superior level of state administration appears to be centrist, even displaying certain unitarian features.

Above all, an answer must be given to the following question: how will the republics participate in the exercise of functions by the center? Furthermore, what will be the participation of the republics in the various Union organs (direct participation, representation or structured on a contractual basis). It is clear that it is precisely the State Council for the Economic Reform that will manage the process of transition to market relations and draft the respective "rules of the game." However, the nature of the participation of the republics in their strict observance is the key problem. In general, the creation of joint economic management organs appears necessary, for even the EEC, which is not a single country, has a mass of representative authorities which regulate in detail relations among the members of this intergovernmental organization.

[Romanyuk] The prime minister simply said that the sectorial management organs must be preserved. Their hasty liquidation, he claimed, would violate common sense. The prime minister referred, in this case, to the experience of other countries. What is your opinion on this subject?

[Milner] This is a complex problem. All countries have economic sectors under direct state management. This applies, for instance, to the country's single power system, communications, transportation, and the defense industry sectors. All of them have their respective authorities on the higher management level and are what I would call "natural" monopolies.

However, there are ministries and ministries. Most sectorial ministries must unquestionably be closed down, for their key functions are being transferred to economic associations, concerns, and other types of trusts. And since the enterprises today are being removed from under the jurisdiction of the ministries, the latter lose their power functions. Finally, some of the functions will develop into market infrastructures, such as cost accounting organs in charge of resource procurement, commodity and stock exchanges, and information centers.

[Romanyuk] Boris Zakharovich, can't you see that in frequent cases the reorganization of administrative structures is only formal? Labels are changed, and instead of ministries we have concerns or associations, while the essence remains unchanged: it is command-administrative.

[Milner] No structure can ensure efficient management if its reorganization is for "camouflage" purposes. The appearance of such "camouflaging" structures is one of

the unpleasant trends of our time. They are not only useless but also harmful, for they obstruct the shaping of a mixed economy and assign to themselves functions which they should not have. However, let us not view this as a tragedy. We must bear in mind that in the transitional period of the economic reform, while the administrative-command system has still not been entirely dismantled, while horizontal relations are only taking shape and are still weak, certain "transitional structures" are entirely admissible and vitally justified, as they combine, in different proportions, individual elements of the new and the old.

[Romanyuk] V. Pavlov said in his report that at the present stage the USSR State Property Fund and the anti-monopoly committee are of particular importance. Nonetheless, the prime minister does not intend to make the heads of these agencies members of the Council of Ministers of the USSR. His explanation is rather strange: this is done for the sake of giving the structure a maximum of "independence and freedom of action."...

[Milner] I would say that this indicates freedom from authority! The task of the state is to guide the transition to a market economy, for the sake of which these institutions were created. If the cabinet crosses this line their role becomes drastically weakened (despite a general strengthening of the executive powers). Incidentally, the prime minister also opposes subordinating the fund and the antimonopoly committee to the USSR Supreme Soviet. Therefore, the key market structures somehow remain on the outside. Yet in Eastern European countries, such as Poland, Czechoslovakia and Bulgaria, such authorities are a necessary part of the structure of the executive powers. This is as it should be. Otherwise their decisions may be only in the nature of recommendations.

Unfortunately, we are developing a specific situation in which the market institutions have no place either in the executive or the legislative power structure, although it is precisely they that should convert property from its governmental form to leased, cooperative or private. Could they accomplish this very complex project without real power? I doubt it. Possibly, none of this may be accidental. For example, I cannot understand why to this day no antimonopoly legislation has as yet been passed, although it was drafted 1 year ago. Probably because it would hinder the functioning of the old command system. Now, however, deprived of power such authorities become helpless and the command system preserves its chances of survival.

[Romanyuk] But then, was strengthening the executive power worthwhile?

[Milner] It is difficult to judge of the efficiency of the system as a whole before the functions of each unit have been specified. It is precisely here that we see a paradox: a conversion to the market is possible only with the existence of a strong executive authority. However, the power structures can be switched to the new track only

after we have strengthened the command management methods. The temptation to act precisely in this manner is strong. We are being told that the cabinet will have 55 managers instead of 68, as was the case in the old USSR Council of Ministers (correspondingly, the number of functions will be curtailed). Until very recently, there were 90; earlier, there were 125. In itself, this transformation is meaningless. We must clearly know which authorities will be temporary and which will be permanent.

Strictly speaking, there may be three types of organs on the higher executive level. First, the functional; second, those which ensure the country's sovereignty (defense, foreign economic and diplomatic relations, and law and order). Third, various organs in charge of administering Union property, and provisional intersectorial organs, which still exist because of the underdeveloped nature of market structures. Therefore, such "transit" organs, which will transfer their functions to the gradually developing units, will remain numerous. I believe that during the period of stabilization and of the country's emerging out of the crisis, they must be retained in order to maintain the necessary proportions within the economy and systematically to develop the market institutions.

[Romanyuk] Would this not lead to the preservation of the old structures? For no one would undertake his self-destruction voluntarily.

[Milner] The old structures are struggling for their self-preservation. However, that is precisely why the institution of the executive authority is created, so that it may guide the perestroika processes. Some problems arise also in the area of the new structures. For example, the creation of a number of intersectorial committees is contemplated, probably similar in nature to of the former permanent organs of the USSR Council of Ministers. This group of decorative organs will now be expanded even further. Whatever the case, it is unclear to me who will be in charge of making the final decisions. Or else will everything end with the cabinet, the way, in the past, it ended with the USSR Council of Ministers? Some of the functions, as the document stipulates, will be within the joint jurisdiction of the Union and the republics. If management means the allocation of functions, we would like for this concept of "joint management" to be clarified. The question of rights and responsibilities is not solved with the suggested document although any structure means, above all, an allocation of responsibilities.

[Romanyuk] What shall we have, in the final account: the former management structure, only compressed, and only somewhat aimed at the market or something truly new?

[Milner] In principle, the suggested variant is a step forward if we think in terms of the categories of condensing the old structure. Unfortunately, it is a manifestation of marking time, if we are thinking of the creation of new market mechanisms. Nonetheless, we shall trust

that we are dealing with a temporary, a transitional model. However, within it as well we should abandon the clearly obsolete units of a command-administrative type, which ignore the new role of the enterprises as economic entities and the sovereign rights and economic autonomy of the republics.

Considering the situation in the country, we cannot rely on the fact that the structure of the executive authorities will be established once and for all, in its final shape. Naturally, it must keep dynamically restructuring itself at all times.

### **Draft Of Bankruptcy Law Discussed**

914A0437A Moscow IZVESTIYA in Russian 13 Feb 91  
Union Edition p 3

[Interview with chairman of State Planning Committee Working Group A. Sukhanov by V. Romanyuk: "The Bankruptcy Law: Indispensable in Shifting to the Market"]

[Text] The USSR draft law: "On Enterprise Insolvency (Bankruptcy)" has been submitted to committees and commissions of the USSR Supreme Soviet for preliminary consideration. An IZVESTIYA correspondent met with A. Sukhanov, head of a working group and deputy chief of the USSR State Planning Committee's department for improving the economic mechanism, and asked him to discuss the new features that the law will bring to our economic life and when it will be adopted.

"A market economy," recounted Aleksandr Aleksandrovich, "requires the adoption of laws different from those that existed before. And the problem of bankruptcy is a key one in shifting to the market and establishing new forms of property. The drafting of special legislation on bankruptcy essentially constituted a new kind of task, one that Soviet practice lacked sufficient experience to accomplish. A working group was set up to draft the law. It included specialists from the USSR State Planning Committee, the USSR State Bank, the Ministry of Finance, the Ministry of Justice, and economic institutes. The experience of a number of countries was studied in drafting the law. Appropriate draft legislation prepared for the "500 days" program were used as well.

Our legislation has long been marked by a certain distortion. Enterprises received broad freedom of action, but their accountability for final results was never clearly spelled out. As a result, production slowly grew, but this was accompanied by a sharp increase in wages. The bankruptcy law will hold an important place in the system of regulators of enterprise performance. This does not mean, of course, that a series of unprofitable production facilities are going to start going under and be auctioned off. But the fact remains that the fate of an enterprise must be solely in the hands of its collective.

If we consider world practice, we see that the basic principle governing the functioning of any market is

simplicity of enterprise creation and the possibility of the enterprise's going bankrupt. Without this, the market simply cannot exist. The first part of the problem has been solved in our country by a package of laws on enterprises in the USSR, leasing, cooperative production, and others. As for the possibility of bankruptcies, the theory behind this process remained unformulated until very recently: We had no bankruptcies. Moreover, we were psychologically unprepared for such a turn of events.

[Romanyuk] Unfortunately, every bankruptcy entails human tragedies, shattered fates, and ruined careers. How does the draft law solve these problems?

[Sukhanov] That is not the law's purpose. The job placement issues to which you are referring are addressed in detail in the Basic Principles of Legislation on Employment. The purpose of the bankruptcy law, by contrast, is to establish the accountability of a private businessman for the conduct and efficiency of his economic activity.

[Romanyuk] Accountability to whom?

[Sukhanov] To his creditors. The interests of all the creditors must be protected.

[Romanyuk] Like the interests of the collective of an enterprise declared insolvent?

[Sukhanov] In liquidating an enterprise, the priorities with respect to paying off debts is as follows: the employees of the bankrupt enterprise, the budget, and the creditors. Bankruptcy is a purely market category. For competition among producers on the market usually comes down to a situation in which the winner is the one that supplies the best output for the lowest price. Bankruptcy occurs most often on account of a lack of sales, and this is the case throughout the world. But we have a different situation: There are shortages of virtually everything!

The draft takes into account the special features of the current transitional period. It is important to emphasize that the intent of the draft law is by no means to immediately liquidate or speed the bankruptcy of a "lame" enterprise. On the contrary, it entails the possibility of using various means to rescue it, and in this sense the law is sooner of a preventive character. What are these various means? First, there is rehabilitation. If we are talking about a state enterprise, support could come from the property administration fund or stabilization fund.

The state can act deliberately to support unprofitable enterprises that produce, for instance, socially important output. Second, a peace settlement procedure is widely used throughout the world. This is when the debtor reaches agreement with his creditors to scale down part of the debt and to repay, say, 20 kopeks on the ruble. Creditors can take this step if they have a stake in the

enterprise's continued operation (for instance, if there is no other place else to buy the output the enterprise produces).

[Romanyuk] What are the grounds for declaring an enterprise bankrupt?

[Sukhanov] Insolvency (bankruptcy) is understood as the persistent inability of a debtor, on account of insufficient funds, to pay on schedule his obligations to a creditor or to the budget. In short, when his obligations begin to exceed the value of his property (his liabilities exceed his assets), this is when the critical situation arises.

[Romanyuk] But who is going to declare bankruptcy voluntarily?

[Sukhanov] In principle, such a declaration should be made on the initiative of the bankrupt enterprise or its creditors. Throughout the world, there is liability for failing to declare in a timely fashion. Understandably, it is psychologically difficult to declare: I'm on the rocks, I can't guarantee the repayment of my creditors' claims. But this is the way it must be in a civilized market. Moreover, the concealment of bankruptcy or the secret selling off of assets usually entails tough penalties.

[Romanyuk] As it has come about, in our country enterprises are created forever, as it were. The state goes to any expense to keep any and all enterprises "afloat." Can we now expect that subsidies to faltering enterprises at the expense of successful collectives will be eliminated?

[Sukhanov] Strictly speaking, an unprofitable enterprise is already a potential bankruptcy. Many such enterprises are considered unprofitable by plan, meaning that the state explicitly recognizes their right to subsidies. There are unprofitable enterprises in virtually all countries. As a rule, however, they are in sectors of the economy in which new and advanced output is being assimilated, output that requires substantial start-up costs.

Without a doubt, after the price-setting system is restructured, the notion itself of unprofitability will change in our country. If the raw-material branches are brought up to the level of world prices or close to it, they will become profitable. But those enterprises whose output is subject to fixed prices will clearly require subsidies or slide into bankruptcy.

[Romanyuk] Say that bankruptcy has been declared. What happens next?

[Sukhanov] There then begins a competitive process in which the debtor's assets are used to meet the creditors' claims. A "competitive mass" has to be established, which is to say the assets that will be used to pay the claims, and measures must be taken to maintain the "competitive mass." Incidentally, the process of liquidating an enterprise must be halted if the possibility of rehabilitation arises at the expense of third parties. The competition administrator plays an important role in the competitive process. This is a new figure in our



economy. In some cases, this duly authorized representative of the creditors can take on the entire management of the enterprise, removing even the director.

[Romanyuk] When will our first bankruptcies appear?

[Sukhanov] I would like to have them appear as soon as possible. At least a few. This will have a corresponding effect on those who are on the brink of possible bankruptcy on account of poor management. Countries that have adopted such laws have experienced no spate of bankruptcies. Nevertheless, the laws are "doing their job," promoting higher production efficiency and preventing matters from reaching the critical point.

The state sector, in which monopoly-holding enterprises predominate, is hardly going to provide a lot of bankruptcy candidates in the near future. It is true that while before there was a single proprietor—the state—behind this multitude of enterprises and there existed several channels through which support was provided (ministries, the branch complexes of the USSR State Planning Committee and the USSR State Committee for Material and Technical Supply, and the standing bodies of the USSR Council of Ministers), now the situation is changing, and virtually no one has centralized funds. In the cooperative sector, such funds are nonexistent to begin with, and here bankruptcies undoubtedly will appear.

The bankruptcy law will make it possible to conduct this complex process in civilized forms. But the law can function successfully only in conjunction with others—such as the law on enterprises in the USSR, the tax system law, and the employment law. We will have to devise a procedure for selling the assets of insolvent enterprises that are being liquidated, and establish liability for failing to submit a petition of insolvency in a timely fashion. The package should be further supplemented by a security law, which is also an exclusively market instrument.

### **Economist Calls on West for Financial Help**

914A0472A Moscow *RABOCHAYA TRIBUNA*  
in Russian 22 Feb 91 pp 1,3

[Article by Professor Soltan Dzarasov, chairman of the political economy department, USSR Academy of Sciences, in response to previous issue's reprint of Gorbachev interview for FORTUNE magazine pp 1,3: "Is America Not Missing Its Chance?"]

[Text] Having read the interview of M. S. Gorbachev given to FORTUNE, the American business magazine (*RABOCHAYA TRIBUNA*, 21 February of this year), the well-known Soviet economist Soltan Dzarasov sent its editor a letter of the following content:

Undoubtedly, Gorbachev said much that was important, and we may hope that the American business circles will regard all that he said with interest and attention. However, it seems to me that he did not "dot all the i's"

in every case. Perhaps this is because politicians are not supposed to show all their cards. However, I as a scientist am free of such responsibilities and, perhaps, have the right to speak more frankly.

First of all, I would like to note the absence of a total understanding in the West, including also in the United States, of the historical importance of the perestroika which is currently underway in the USSR. To you it seems that the matter is reduced to improving relations. I dare think that we are speaking about much more. The Soviet perestroika has not only put an end to the 40-year cold war between the West and the East. It has closed a 200-year old page in world history, with its continuous ideological and political struggle between capitalism and communism.

The significance of this event is so great that it has given American scientist Fukuyama reason to affirm that the end of history has come. In one of its forms, history really has been completed. One need not be a Marxist to understand that the solution of some problems does not exclude, but rather presupposes, the emergence of others. Having filled up one page, history begins another. Instead of the utopian ideal of the future, mankind is faced with the real task of ensuring nuclear-ecological security and creating a system of international political and financial-economic stability. There are no fewer difficulties in the path of achieving these goals than those which were engendered by the former confrontation. Primary among these are the alienation, egoism, and opposition of peoples which were inherited from the past. The current crisis in the Persian Gulf is not the final manifestation of that which the growing forces of aggressive nationalism are preparing for us. The disintegration of the USSR would mean the emergence of more than one such focus, and would conceal the danger of a return to dictatorship. We stand in the face of new challenges.

It is unknown how we will deal with them. For now the Soviet Union is making the greatest contribution to this historical turn, which has opened new prospects for peace. Is this step a forced or a voluntary one? If Gorbachev had not stopped the pendulum of the arms race, but had instead speeded it up even more, the world would be entirely different today. And he had all the capacities for this: A gigantic repressive and propagandist apparatus which had rich experience in manipulating the people by means of skillful combination of violence and deceit. With the aid of the tried and true clichés about the foreign threat on the part of American imperialism and West German revanchism, the apparatus could have held us for yet a long time in the obedience for which we are so much better trained than we are for freedom. Few world authorities in politics and social thought could suppose a different development of events.

It seems to me that America is even somewhat at a loss in the face of the reality which has unexpectedly emerged. For example, you still argue over the repeal of

the Jackson-Vanik amendment, even though it has long ago lost its meaning. The White House reluctantly and indefinitely announced the possibility of giving the USSR credit in the sum of \$1 billion. After World War II, the United States position was much more definite and constructive than it is today, after the conclusion of the cold war.

Of course, today a previously unforeseen situation is emerging in the world. The Soviet-American bipolarity of military opposition is being replaced by a global economic multi-polarity. Military opposition dictated a detrimental logic of behavior. International financial-economic interdependence presupposes a different logic. Not the return of the USA to its former isolationism, but a new form of responsibility for international events. Now it is not military patronage of other countries which is required of you, but rather equal partnership with them. Undoubtedly, Japan and unified Germany will move out from the American umbrella and will assume higher positions in the world partnership. However, equally undoubted is the fact that without the USSR the world economic community will never be able to ensure any reliable international stability.

You present Gorbachev with the question of what aid the American corporations and private business may give to the Soviet Union. Let us continue this interesting discussion and clarify how far you can go in this direction. I would formulate in the following manner the questions which you have asked and not asked: How can we turn the USSR's destabilized economy not only into an internally stable one, but also into one of the factors of international financial-economic stability? In such a great country as the USSR, one cannot exist without the other.

Granting the USSR most favored status, which was mentioned in the discussion, is today clearly not enough. This would yield little with the current condition of the Soviet economy, when its level of inclusion into the world economy, by my calculations, is six-eight times lower than that of the West European countries. We are well prepared for a destructive nuclear-missile war, but we are not ready for competitive foreign trade. For this very reason—and the West should especially take this fact into consideration—we cannot effectively utilize foreign credits. The experience of countries with a closed economy shows that due to the nonconvertibility of the monetary units they, as a rule, do not have a mechanism of recoverability and repayment of the credits. Recently the USSR position has become even worse due to the series of serious errors allowed in the course of perestroika. Therefore, with the aid of credits—if we do not alter the mechanism of their application—we can only tighten the noose around our own necks.

Nonconvertibility of the ruble remains the Achilles heel of our foreign economic relations. The initiative of the American entrepreneur Frederick Fears, who proposed

finding the best project for a solution to the problem by means of an international competition, has not yet led to success.

The question of guaranteed repayability of credits deserves particular attention. The West must clearly understand that the Soviet Union needs credits simultaneously with a place under the sun of the world market. Our goods and services must receive broad access there. In order to play a constructive role in world trade and in financial-economic activity, the annual currency income of the USSR must exceed the \$100 billion mark. However, the achievement of such a level is associated with radical transformations, which we cannot realize without the help of the West. Only by means of combining a modernized Marshall Plan with deep-seated reforms within the country can we implement the transition to a market economy and its structural reorganization.

In the past we tried to build socialism, and then communism, in a single country. Are not those who believe it possible to build a market economy in one country falling into a similar error? The Soviet economy must become an organic part of the world market and interact with it on mutually beneficial principles. I cannot congratulate my fellow countrymen on such a realistic understanding and approach to the development of programs for transition to a market. However, in my opinion, [this approach] is also lacking in the international organizations and in the business people of the West who have behind them the rich experience of international economic cooperation.

From such positions, it seems to me, we must approach the solution of problems of economic cooperation, including the application of foreign credits. In the USSR they will be distributed by the recently created currency committee. Soon we will see that it will become the arena of a struggle between the republics and departments for gaining the greatest portion of the currency and credits with complete indeterminacy of who will repay them and how. The problem will be exacerbated with the growth of foreign indebtedness. The volume of annual payments has already reached \$9-\$12 billion, which is over a third of all the currency receipts.

In order to avoid a worsening of the situation and create a reliable basis for mutually beneficial economic cooperation, I am proposing a different mechanism for obtaining, utilizing and paying off foreign credits. Their entire sum should be concentrated in an independent international bank specially created for this purpose, whose headquarters would be located in Moscow. The bank's governing board, which consists of representatives from the USSR and the creditor countries, must possess the exclusive right to grant credits to specific investors for certain projects, which would ensure the output of production (provision of services) not only to the domestic, but also to the foreign market. As long as the ruble is not convertible, all the foreign credits must be issued on the principle of currency self-recovery or have some other source of currency compensation.

Let us assume that the Americans have allocated us credit in the sum of \$6-\$7 billion. Under current conditions, its distribution would take place under pressure of fast-moving political circumstances, and the prospect of its repayability will remain unclear. In order to eliminate this possibility, the bank will have to review the draft for utilization of the required sum. This may be, for example, a project for retooling a number of military enterprises for the manufacture of color televisions, video systems, computers, means of communication and other goods which are in acutely short supply for the Soviet consumer. In implementing credit, investment and current trade operations, the bank will be able to create ahead of time a reserve for repayment of the credit. For this it will have to select world class investors capable of selling their goods not only on the domestic, but also on the foreign market, in this case, for example, for the sum of \$1 billion. This is approximately the sum which we must offer as the indicator of effectiveness of the obtained credit and guarantee of its timely repayment with interest.

Perhaps the proposed mechanics will not evoke enthusiasm among the competitors, but it should hearten all the rest. Soviet natural and labor resources and our gigantic intellectual potential are being actively and extensively placed at the service not only of our own prosperity, but also the world's. Soviet competition will facilitate improvement in quality and reduction of prices. Creditors will receive interest, while we will be able to give our consumer the needed goods and provide ourselves with additional currency revenues.

These were my thoughts in reading your interesting conversation with President Gorbachev. I am writing you this open letter because I believe that in this case the discussion centers around questions of exceptional importance from the standpoint of the fate of perestroika, as well as from the standpoint of maintaining international financial-economic stability.

### New Sales Tax Confuses Shoppers, Managers

914A0503A Moscow PRAVDA in Russian 5 Mar 91  
Second Edition p 1

[Article by Aleksandr Nikitin: "Paying Another Five Percent... Why Did a Sales Tax Become a Purchase Tax?"]

[Text] *If you look through the window of any Moscow store—from a tobacco stand to the GUM [state department store]—you will see pieces of torn paper everywhere. Something like this—stop, unfortunate shopper, and read, before anything else: "Since the beginning of March, for every purchase you should pay an extra five percent of its price." Underneath there are always two words (in parentheses or without): "Decree of the President."*

"There you are!" shoppers express their amazement. "The decree says that a sales tax is being introduced and not a purchase tax. In other words, he who sells must be the one to pay. That is the way we understood it..."

The same is true of the producers also. As early as January I.Kh. Ramazanov, general manager of the Magnitogorsk metallurgical combine, was wondering where he could find the additional 150 million rubles for this decree that came out of the blue.

How did the salespeople, those who called it just one more financial "riddle," understand the decree? This was my question to Yu.P. Lebedeva, senior accountant of the Sportovary store on 8 March Street in Moscow. She started on about the president again. But wait, there are no details there; apart from that, the time for its enforcement has already been violated—it should have become effective as of 1 January. Is there a more concrete document that you could show a shopper?

"What other document? The president—and that is it!"

Still, Yuliya Petrovna managed to find a barely legible, violet-color mimeographed paper, dated 28 February of this year, which was sent to all managers and accountants of Moscow stores. I could barely make out the lines on it, signed by some M.S. Yeryemin, saying that the new tax has to be introduced throughout RSFSR territory as of 1 March. Based on what? Resolution No. 103 of the RSFSR Council of Ministers of 2 February.

How to levy the tax? The same mimeo says: Based on the total amount of sales in retail trade, on payments in cash and on account... Even such a trifle is specified as the amount for rounding up—0.5 kopeks (!) It seems, that soon we will have to mint half-kopek coins as it was before the revolution. But even this basic document does not say distinctly who pays the sales tax. Is it the producer or the customer?

The Russian republican and local newspapers did not find an opportunity for a timely explanation of Russia's Council of Ministers position. Instead they started to accuse the president after the fact: The center alone is to blame for everything, they say. A journalist M. Gurevich even labelled the tax as "tips for the president."

However, the decree was supported and approved by republic and local authorities primarily and one would think that the president personally was interested in it less than anyone else. That was the way the president answered the questions asked him by the workers of the Minsk tractor factory. The lion's share of the tax, or, to be more exact, 70 percent of it will go to the budgets of republic and local Soviets to be utilized for the most pressing needs: Funding socio-economic programs including municipal improvement and aid to the poor...

Sometimes such taxes get fully used up locally and they do not "reach" either the Union or the republic budgets.

Now we are faced with a necessity to specify, finally, who, in what case, and for which goods should pay this sales tax. When should it be the producer of the goods and when the buyer? Selling and buying are very different concepts.

People can hardly be encouraged by the response given to the same question by V.S. Pavlov, USSR Prime Minister, in his recent interview given to journalists at the press center of the Ministry of Foreign Affairs. He explained that to sell and to buy is one and the same thing. The shopper pays it all. That is the way it is in all the civilized countries in the world.

But our people do not live yet just like they do in, say, wealthy Sweden or FRG. Neither are our simple people used to visiting all the countries with well established taxation systems.

It seems that such a superficial approach by our financial organs as they prepare serious documents touching upon millions of people is the very cause of the displeasure. That goes for both the salespeople, burdened with a huge load of additional "unpaid" work, and the shoppers, of course, who have to dish out whatever money is left in their pockets. Probably USSR Prime Minister V.S. Pavlov and RSFSR Council of Ministers Chairman I.S. Silayev will explain to our people: How the notion of "selling" got somehow replaced by the notion of "buying"?

### INVESTMENT, PRICES, BUDGET, FINANCES

#### Banker Estimates Budget Deficit at R700 Billion

914A0504A Minsk SOVETSKAYA BELORUSSIYA  
in Russian 15 Feb 91 p 2

[Article by B. Sergeyev, director of the Board for Economic Analysis and Information of the Interbranch Commercial Bank for the Development of Wholesale Trade (TOKOBANK), under the rubric: "Opinion of a Specialist": "Without Revealing State Secrets..."]

[Text] The size of the present deficit of the Union budget has been declared and confirmed by the USSR Supreme Soviet to be a total of R26.7 billion. This is hardly the real situation. We will analyze just a few articles of the law, without revealing any "state secrets" but using common sense instead.

After a year of discussion the loans of the USSR State Bank have finally been taken out of the income portion and exposed as a means for covering up the real deficit. The system that is customary for the world has become a norm for us as well. As for foreign loans, they have been hidden as usual, remaining in the article "Foreign Economic Activity." In the second instance, this way two birds were killed: On the one hand they accentuated the mere appearance of greater effectiveness of our foreign economic ties, and on the other hand they "reduced" the total size of the deficit. This is absurd. It makes it seem as though the more debts the government has abroad, the better our foreign economic departments work. But debts have to be given back.

Over the years of perestroika we have borrowed more than during the entire preceding history of the country. This will have an effect on the national economy. The necessity of paying back the loans across many years will slow down the recovery of the economy.

According to indirect evaluations, the government hopes to attract \$10-15 billion in new foreign credits this year. Although in the current political situation it may be problematic, this total must nevertheless be taken from the income portion and the amount of the deficit must be increased. Taking into account the current commercial exchange rate of the ruble (R1.5 per dollar), the size of these loans may be R15-23 billion. In this fashion the budget deficit, from the introduction of adjustment to one article, will increase by a factor of 1.5-2.

The article on aid to foreign governments, which traditionally is attacked by deputies at all levels, deserves attention as well. The budget sets expenditures on grants at R400 million. A noticeable decrease has taken place by comparison with last year. But the problem is that a significant portion of the aid is carried out through other articles, in particular through the article: "Reductions and Increases to Foreign Trade Prices." The aid is dispensed exclusively by the USSR Ministry of Foreign Economic Relations and ends up in the budget's statistics as a line that is not broken down. We know that these sources have been financing, for example, the multibillion-ruble subsidies for Cuban sugar. It is no secret that in coming years it will be necessary to write off foreign loans worth several tens of billions granted by the Soviet Union, inasmuch as the majority of our debtors, particularly those from among the developing countries, are unable to return them. So the figures on foreign aid presented to the Supreme Soviet and approved by it are also short a few zeros...

The USSR Supreme Soviet, as everyone knows, has determined the upper limit of the total of foreign debt at R39 billion, also at the official exchange rate. At the commercial exchange rate it would be more than R100 billion. The total amount of state debt comprises about R700 billion, or almost two-thirds of the country's gross national product...

That is reality. It is a painful reality. However, this does not mean that it cannot be set right. But to set it right we must first know the situation, know the truth, and, on the basis of sober calculations, decide how, where, and with whom to move.

#### Independent Bank Activities Hurt State Finances

914A0505A Moscow RABOCHAYA TRIBUNA  
in Russian 5 Mar 91 p 2

[Article by V. Yevstigneyev, candidate of economic science: Banks Grow Like Mushrooms, but Dilettantism Rules the Ball in Finance"]

[Text] In December 1990, the USSR Supreme Soviet passed the laws: "On the State Bank of the USSR" and



*"On Banks and Banking Activities," aimed at the fundamental reform of the banking system. By the decision of the USSR Government large commercial institutions have been created on the basis of specialized state banks. USSR Zhilsotsbank [Bank for Housing and Municipal Services and Social Development], USSR Agroprombank [Agro-Industrial Bank], and USSR Promstroybank [Industrial Construction Bank] have been converted into USSR commercial banks. More than two months have passed since then. What has changed?*

The implementation of the reform is in danger. Moreover, the "war of the banks" continues. Legislative acts on banking activities, passed in RSFSR, Belorussian SSR, and the Baltic republics, are not tied to the Union laws, contradict them in many respects, and objectively lead to the destruction of the unified banking and monetary system.

Instead of commercializing specialized banks, a number of republics have implemented unlawful actions in nationalizing Union entities, and liquidating existing banking entities that constitute the basis of the finance and credit system.

As of 1 January 1991, 1,366 commercial and cooperative banks with a total declared initial capital of about 20 billion rubles [R] are registered in the country. On average, the amount of initial capital per bank is about R15 million. RSFSR Gosbank [State Bank] was extremely active in registering commercial banks. It registered over 1,000 such banks in just four months of last year (September through December).

If this pace continues, soon not only every oblast and industry branch will have its own commercial bank, but also every city, rayon, enterprise, kolkhoz, and sovkhoz. We will very soon not only catch up with America in the number of commercial banks, but will overtake it. The only problem is that after that we will not have a single large bank left.

The newly created commercial banks operate practically outside of government control. The USSR Gosbank audit staff is very small and has limited capabilities. At the same time, inspections conducted by its auditors have uncovered a number of gross violations of existing hard currency legislation and normative acts. As a result, the cooperative bank Partner-bank and the commercial bank Roskombank have been shut down.

The RSFSR Gosbank blocked implementation of the USSR Council of Ministers resolution of 19 December 1990 on the conversion of USSR Promstroybank into a state commercial bank. In essence, the Promstroybank system has disintegrated in the RSFSR; more than 60 of its 80 branches have been converted into independent entities which have registered their charters at the RSFSR Gosbank. In order to preserve the Promstroybank system, practically all of them have joined the Russian Association of Joint-Stock Commercial Industrial Construction Banks "Russia."

The newly created republic state (central) banks act exclusively in the interests of their own republics, not in the interests of a unified state and unified economic space. Local branches of banks are basically put in a situation where they have to simultaneously comply with laws, decisions, and resolutions that contradict each other. As a result, there is a real threat of undermining the stability of the banking system and the transactions system in the national economy.

These negative processes undermine the trust governments of developed countries and Western banks have in the economic reform.

And, of course, the R140 billion affair has not enhanced the RSFSR Gosbank and Ministry of Finance authority. According to the Russian Federation Gosbank and the Ministry of Finance, neither was appraised of the pending deal. The new leadership of the Russian Government did not just ignore them; it "forgot" about their existence, and did not send any documents to them for expert evaluation.

It is appropriate to recall here what former RSFSR Minister of Finance B. Fedorov said when he resigned. He said that the RSFSR Ministry of Finance had been removed from decision-making on many issues of the republic's activities, and these decisions are made by a small group of people in the Government of Russia.

Therefore, it should not be surprising that G. Filshin, the—by now former—deputy chairman of the Government of Russia, singlehandedly "blessed" (behind the backs of the USSR Gosbank, RSFSR Gosbank, and RSFSR Ministry of Finance) the affair involving astronomical sums, making "legal" a shamefully low, predatory exchange rate for the ruble in relation to foreign currency?

The situation in the banking system is alarming and also demands immediate stabilization actions because this year leaders of some Union republics are hindering the transfer of income into the Union budget. For instance, the RSFSR Gosbank and Ministry of Finance issued an instruction to enter all income produced on RSFSR territory into the republic budget, with a certain share going to local budgets. According to current USSR legislation and the 1991 agreement, however, the Union budget should have received R128 billion in income produced on Federation territory. Such actions on the part of the republics lead to sharp reductions in the Union budget, which, in turn, results in insufficient financing of expenditures built into the 1991 Union budget.

Because of all this, it would be expedient to bring up issues, related to implementation of the banking reform, at the Federation Council. At the USSR Supreme Soviet session it is necessary to appoint the USSR Gosbank chairman and his first deputy, and also to create and confirm the bank's Central Council—the highest organ of administering the system of central banks. The USSR Gosbank and the republics' central banks should be

reorganized on the principles of a reserve system. It is also necessary to stop putting barriers between the regions in conducting economic operations. Republic banking legislation should be immediately brought in line with the USSR laws on banks. We should also speed up the signing of the Union treaty, and stipulate in it a single monetary and credit policy on the entire territory of the country, as well as using the ruble as the only legitimate means of payment.

## INDUSTRY, DEVELOPMENT, PERFORMANCE

### Privatization Needed To Save Metallurgy Sector

914A0476A Moscow PRAVDA in Russian 19 Feb 91  
Second Edition p 3

[Article by G. Serov, party committee secretary at the USSR Ministry of Metallurgy in Moscow: "Stock Shares and Blast Furnaces: Testing Under Market Conditions"]

[Text] After a significant improvement in the operation of our metallurgy industry during the first two years of the Five-Year Plan, when for the first time the demand for metal production was almost fully satisfied, a depression ensued, and in 1990 a slump in production occurred that has reached critical proportions. The situation is becoming worse, and if this trend continues, a major collapse of the entire industry, together with the transport and power engineering industries, will be unavoidable.

This breakdown can be avoided only under one condition: If we resort to implementing the model of shareholding that has been approved by the Union government, thereby making it possible to preserve the industry during the transition period as a single industrial-economic complex, while sustaining the economic vitality of the enterprises operating under unfavorable conditions. The plan envisions the partial privatization of government ownership through the sale of stock shares to members of labor collectives under the most favorable conditions. This represents the most practical form of privatization for the branches of heavy industry.

In the immediate future, under conditions of market instability, the state will have the opportunity to coordinate the development of metallurgy by owning not less than one half of the shares of each enterprise after it has been transformed into a stock company.

Meanwhile, the work being carried out in the enterprises and organizations to transform them into stock companies is running into serious interference, primarily on the part of the republic organs of power. The UkSSR Supreme Soviet passed a resolution to turn over Union metallurgical enterprises located on its territory to republic ownership. The Supreme Soviet and government of Russia announced that the transformation of Union enterprises on its territory into stock companies would be carried out exclusively under conditions and in

accordance with procedures established by the laws of the RSFSR. The leadership of Kazakhstan has announced its disapproval of the decision of the USSR Government to transform metallurgical enterprises into stock companies.

These decisions are intended not simply to divide up the metallurgical industry between the republics. They have the concealed intention of achieving direct control over the distribution of metal production. Under the conditions as they have developed, this will inevitably damage interbranch coordination, leading to imbalances in the supply and to the disruption of the national economy.

Moreover, proper consideration is not being given to the fact that for the past 10 years the construction of metallurgical enterprises, their size and shape, production volume, and cooperative ties have been worked out with a single economic purpose, without regard for the territorial and administrative divisions of the country. As a result many enterprises that are vitally needed for the normal functioning of an industrial sector will be unprepared to operate independently under market conditions; for they have been conceived and developed as elements of a single system for providing broad interbranch distribution of material and financial resources.

The high capital-intensiveness of metallurgy and its dependence upon the availability of raw materials, which puts it in an unequal position by comparison with its trading partners in the market, is also not being given due consideration.

We are convinced that the delimitation of national ownership between the USSR and the republics can be brought about most easily after the enterprises have been transformed into stock companies. How is this to be done exactly? Through the distribution of shares belonging to the state. This will make it possible to reconcile the interests of the republics on whose territories the enterprises are located while preserving the trans-republic industrial structure. It is done in this way throughout the world, and it is of particular importance for metallurgy. Lessons of the not-so-distant past must not be forgotten. The country has still not entirely recovered from and is still experiencing serious consequences of hasty and erroneous decisions taken with regard to metallurgy in the days of the National Economic Councils.

Let us hope that what is said here will not be mistaken as the expression of a narrow departmental point of view. Mindful of the special national importance of this matter, we appeal to the people's deputies and the members of the governments and Supreme Soviets of the republics, as well as to those of the USSR, that in using their authority and powers they will do everything possible to bring about the transformation of metallurgy to corporate management and direction through stock-sharing, while preserving the metallurgical industry, along with power engineering and transport, as the foundation of the economic structure as a whole.

## POLICY, ORGANIZATION

### Kazakh Economic Policies Viewed

#### Interregional Ties Widening

9140473A Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 21 Feb 91 p 1

[Article by V. Komarov: "Four Whales With a Displaced Center"]

[Text] Another agreement was signed in Alma-Ata yesterday, this time with the Ukraine. For Kazakhstan it is already the tenth such agreement altogether, but the fourth since the republic adopted its declaration of state sovereignty. Moreover, the agreements between Kazakhstan, Russia, Belorussia and the Ukraine are referred to by some observers as a quadrilateral agreement. Recently the desire to join in the "alliance of the four" was expressed by A. Akayev, president of the Republic of Kyrgyzstan. We might think that a sort of "state within a state" is emerging?

President N. Nazarbayev hastened to allay our doubts on this matter, stating at a press conference that the adoption of the agreements is certainly not some "alternative to the center". A parallel state structure is not being formulated, but the horizontal economic relations are simply being legislatively reinforced in a situation where certain union departments have clearly adopted a "wait-and-see" position...

What is there more of here—cautious evasiveness or ordinary openness? I personally adhere to the latter. In any case, it is clear that Alma-Ata is striving to preserve the stability of the existing ties. Recent events in the republic, including the sensational invitations of "market specialists" to Kazakhstan, testify to the serious intentions to implement reform within the framework of the economic space common to the republics.

#### Republic's Progressive Legislation

914A0473B Moscow PRAVDA in Russian 22 Feb 91  
Second Edition p 3

[Article by G. Dildyayev and T. Yesilbayev, PRAVDA correspondents: "As Long as There Is a Chicken..."]

[Text] In one of his public speeches presented in Alma-Ata, Kazakhstan President N. Nazarbayev, pondering over the future market, said frankly to all his comrades in arms who are continuously referring to the lack of clarity, problems and difficulties: "As long as there is a chicken, even a foolish girl can cook soup". Although this might be a harsh, nevertheless the essence is clear: Enough of waiting and moaning, he says. Let us ourselves nurture that which before was not cultivated and was ideologically suffocated and forbidden, that which will inevitably provide nourishment for the new frame of mind and the new capacities. It will provide food in the most direct sense of the word. We might add that we should note the reaction

of the audience to this: The stupid one did not understand, but the smart one was not offended.

### We Are Going to the Market

This is not what the discussion is about—the tendencies in the pre-market life of the republic. Even more precisely, about the choice in development of the tendency. Moreover, sometimes it is simply enough to be circumspect in avoiding destruction. In Kazakhstan they are "clipping coupons" on the preserved socio-political stability. The Western businessmen are much more eager to bring their capital here than to other regions, and there is no getting rid of the businessmen. Then again, no one wants to get rid of them.

It seems that quite recently we had occasion to hear the peremptory "free speech" to the effect that Kazakhstan is the "reservoir of stagnation". However, today it is a fact that the republic has surpassed many others in its rate of passing legislation which creates a legal basis for market relations. Let us cite, for example, such laws as the ones "On freedom of economic activity and enterprise", "On banks and banking activity", and "On foreign investments".

Often these are more radical and more liberal than the union laws, but the republic is not declaring "war" on them, although Kazakhstan does value its sovereignty. Thus, the republic law provides for a 45 percent tax rate on profits. As compared with the union law, the taxable profits are reduced not by one-third, but by the entire sum of expenditures used by the enterprise for modernization of production.

"You know what G. Yavlinskiy's first request was when he came to Alma-Ata?", says D. Sembayev, deputy chairman of the Kazakhstan president's Supreme Economic Council. "Show us your laws". And he began to carefully study them.

Yes, the co-author of the program "500 Days" accepted President Nazarbayev's invitation and became a member of his economic council. Moreover, he is not the first one "from the outside". It has already been reported that American economist Chan Yan Beng has also become a "council employee".

"The new economic policy of Kazakhstan under crisis conditions", "Recipes for entering the market"—these were the main topics discussed the day before yesterday by the participants of the press conference conducted by Kazakhstan presidential economic advisors. The journalists were interested in what kind of people had come to N. Nazarbayev's "command" and what kinds of ideas they had. After all, many recall the words pronounced by Nursultan Abishevich from the podium of the 4th Congress of the USSR People's Deputies: "We are entering the market without any trained specialists familiar with the market mechanism."

"I sense the political will for implementing economic reforms in the republic," emphasized G. Yavlinskiy.

"We must undertake serious work on preparing for a legal and economic infrastructure, for new tendencies and phenomena. This work is difficult, but since this is my profession, my participation in this process, my familiarization with the republic, and my efforts to express my ideas and to prepare certain materials—all this is extremely important and interesting for me. And we are not speaking of my bringing some special program to Kazakhstan which we can quickly implement and then start to live it up. No, this is an illusion. There is simply a working process, where I participate as a specialist.

Dr. Beng evaluated his first 500 hours in Kazakhstan as follows:

"I have already prepared several recommendations for President Nazarbayev. In my opinion, Kazakhstan will not be able to stabilize the economy by itself, since everything is interrelated in your country. The president of Kazakhstan must reach a mutual understanding with USSR President Mikhail Gorbachev, and the signing of a Union Agreement is also necessary.

Here is the opinion of the dean of the economics department at the University of California (USA), Professor Axel Leonhuwood.

"First of all, it is necessary to start with privatization, and primarily of the stores, small institutions, and perhaps housing. The Union must achieve macroeconomic stabilization and regulate as soon as possible those theoretical moments which are associated with defining the rights of each republic and ownership of property."

The press conference held by the independent economic experts was concluded. And not one of them, thank God, gave the "only correct" recipe for emerging from the crisis. It does not exist. Only a poor teacher presents the truth. A good one teaches how to find it. We must look. As long as we have a chicken...

### Kazakh Law on Price Formation

#### Text of Law

914A0492A Alma-Ata KAZAKHSTANSKAYA PRAVDA  
in Russian 15 Jan 91 p 1

["Law of the Kazakh Soviet Socialist Republic: On Price Formation in the Kazakh SSR"]

[Text] This law determines the bases of price formation in the republic. The law is mandatory for all state organs of power and the government of the Kazakh SSR and is disseminated to all enterprises and organizations, regardless of their form of ownership and departmental subordination.

#### Article 1. Price Formation Policy in the Kazakh SSR

1. Legislation of the Kazakh SSR on price formation consists of this law and other legislative acts of the Kazakh SSR issued in accordance with it.

2. The Kazakh SSR conducts an independent price formation policy based on the implementation of price formation principles, taking into account supply and demand and world prices, and may delegate a portion of its authority to organs of power and the government of the USSR.

3. Kazakh SSR state policy in the sphere of price formation has as its aim:

the convergence of price levels for basic types of raw materials listed in the schedule of exported goods with world price levels;

the lifting of profit restrictions on goods produced in the republic that are listed in the schedule of basic imported goods;

the conclusion of economic agreements with other Union republics on a single level of prices for certain types of production;

the achievement of equivalence and parity in the exchange of manufactured and agricultural products, between branches of the national economy, and also in commodities exchange with other republics and foreign partners;

opposition to unscrupulous or unfair competition on the part of certain producers and their diktat over the market;

convergence of price levels with the level of monetary income of the population to hold back inflationary processes.

#### Article 2. Limitation of Authority in the Sphere of Price Formation in the Kazakh SSR

1. The Kazakh SSR Supreme Soviet determines the legislative bases for establishing prices and formulates republic price formation policy.

2. The Kazakh SSR Cabinet of Ministers:

ensures that a single price formation policy is pursued in the republic;

determines the rights, obligations, and responsibilities of all participants in commodity-money relations;

establishes the schedule of products, goods, and services for which fixed state prices are applied, and provides for the phased transition from these to free prices.

3. Local soviets of people's deputies:

ensure that a single state price policy is pursued in the localities;

establish prices for certain kinds of production, goods, and services of enterprises located on municipal property, or extend the right of determination of these prices to economic management entities so empowered by them;

regulate prices and monitor price levels in oblast territory, in accordance with their jurisdiction;

draw up and accomplish measures for using prices to induce a goods-saturated market.

4. The main elements of the national economy, in the personification of enterprises and organizations, regardless of their form of ownership, independently formulate prices for the output, goods, and services they produce in accordance with the rights they have been afforded.

#### **Article 3. Measures for Social Protection of the Population**

1. Organs of state power and the government of the Kazakh SSR implement measures to compensate for losses of revenue by appropriate categories of citizens due to increases in retail prices and rates, in accordance with legislation currently in effect.

2. Soviets of people's deputies support, through funds envisaged in local budgets, the socially required level of prices for the most important manufactured consumer goods, foodstuffs, and services.

#### **Article 4. Establishment and Application of Prices and Rates**

1. Free prices and rates are established by all economic management entities independently or on a contractual basis under the influence of supply and demand. These prices are applied for all varieties of goods and services with the exception of those varieties for which state prices and rates are established.

2. During the period of establishment of the market economy, fixed state prices and rates are applied for production, goods, and services that provide social security for the population, and also for products of production-technical designation that exert a determining influence on the overall level of prices and price dynamics.

As the establishment of market structures in the economy progresses and the market becomes saturated with products, goods, and services, the sphere of application of state price regulation will be reduced and sphere of application of free prices and rates will be augmented accordingly.

3. In the accounting for mutual deliveries with other Union republics, price-list prices currently in effect will be applied, along with contract and world prices.

4. In the accounting with foreign partners with respect to export and import operations effected directly or through a foreign trade intermediary, contractual (foreign trade) prices will be applied, formulated in accordance with prices and conditions of the world market.

#### **Article 5. State Monitoring of Prices**

State monitoring of the observance of existing price legislation is accomplished by the organs to which these functions are entrusted.

#### **Article 6. Responsibility for Violations of State Price Discipline**

1. All amounts received without justification by an enterprise or organization as a result of violations of state price discipline are subject to confiscation and turnover to the budgets of the republic and local soviets. In addition, a fine is exacted in the amount of the illegally acquired profit and turned over to the budget.

2. Leaders and other responsible officials who are directly to blame for violations of state price discipline bear personal responsibility for this according to procedure as established by Kazakh SSR law.

[Signed] N. Nazarbayev, president of the Kazakh Soviet Socialist Republic

#### **Decree on Law's Implementation**

914A0492B Alma-Ata KAZAKHSTANSKAYA PRAVDA  
in Russian 15 Jan 91 p 1

["Decree of the Kazakh SSR Supreme Soviet: On Implementing the Kazakh SSR Law 'On Price Formation in the Kazakh SSR'"]

[Text] The Supreme Soviet of the Kazakh Soviet Socialist Republic resolves:

1. To implement the Kazakh SSR law: "On Price Formation in the Kazakh SSR" beginning 1 January 1991.

2. To direct the Kazakh SSR Cabinet of Ministers prior to 1 March 1991:

to bring decisions of the Kazakh SSR Government into conformance with the Kazakh SSR law "On Price Formation in the Kazakh SSR";

to ensure that a review is conducted by ministries, state committees, and departments of the Kazakh SSR of their normative acts, and that those found to be in contravention of this law are repealed;

to determine the catalogue listing of production, goods, and services for which state prices and rates will be established, as well as the procedure for formation of these prices and rates.

[Signed] Ye. Asanbayev, chairman of the Kazakh SSR Supreme Soviet

#### **Kazakh Law on Banks, Banking Activities**

##### **Text of Law**

914A0488A Alma-Ata KAZAKHSTANSKAYA PRAVDA  
in Russian 18 Jan 91 pp 2

[Kazakh SSR Law on Banks and Banking Activities in Kazakh SSR, signed by President N. Nazarbayev of Kazakh SSR]

[Text]



**General Provisions**

Banks are establishments empowered by this law to solicit capital for investment purposes and to perform other banking operations envisaged by this law.

All of the credit resources created within the territory of the Kazakh SSR will be republic property.

The republic will have a two-leveled banking system, consisting of the Kazakh SSR State Bank and a network of commercial banks. (Footnote \*) (The term "commercial banks" will refer to commercial (or cooperative) banks owned by stockholders or shareholders and other credit institutions)

Banks will be legal entities with their own charters and they will operate in line with the principles of full economic accountability and self-funding.

**Section I. State Bank**

**Article 1. Kazakh SSR State Bank—the republic central bank**

The Kazakh SSR State Bank will be the republic's property and will be its central bank. The relations between the Kazakh SSR State Bank and the USSR State Bank in matters concerning the use of a single monetary unit and the pursuit of a single monetary policy within republic territory will be governed by the Union Treaty.

**Article 2. Main duties and functions of Kazakh SSR State Bank**

The main duties of the Kazakh SSR State Bank will consist in securing a stable and single monetary unit, negotiable within the territory of the union republics, conducting a single state policy in the sphere of monetary circulation, credit, and settlements, and drafting and observing the general rules of the state regulation and supervision of the operations of commercial and other banks.

The Kazakh SSR State Bank will:

Have a monopoly right to issue money within the territory of the Kazakh SSR;

Conduct monetary regulation in the Kazakh SSR;

Arrange for the execution of the state budget, organize a system of collective deposit insurance, and manage the Kazakh SSR domestic and foreign debt;

Organize interbank settlements within the republic;

Conduct operations in the purchase and sale of gold and precious metals and in the purchase and sale of securities;

Authorize the establishment of commercial banks within the republic.

**Article 3. Legal basis of Kazakh SSR State Bank activities and accountability**

The Kazakh SSR State Bank will be independent of the executive and administrative bodies of government in its activities, it will be governed by this law, and it will be accountable to the Kazakh SSR Supreme Soviet.

The state will not be responsible for the obligations of the Kazakh SSR State Bank, just as the Kazakh SSR State Bank will not be responsible for the obligations of the state, with the exception of the cases in which this responsibility is assigned to it by the Kazakh SSR Supreme Soviet or in which it assumes this responsibility.

**Article 4. Structure of Kazakh SSR State Bank**

The Kazakh SSR Supreme Soviet will establish the Kazakh SSR State Bank in the republic.

The Kazakh SSR State Bank will create structural subdivisions on the local level to perform its functions.

**Article 5. Enforceable enactments of Kazakh SSR State Bank**

The Kazakh SSR State Bank will issue legislative instruments, binding for all banks in the republic, on matters within its jurisdiction.

**Article 6. Funds of Kazakh SSR State Bank**

The Kazakh SSR State Bank will have a charter fund and other funds for various purposes, to be formed and used in accordance with its charter.

**Article 7. Accountability of Kazakh SSR State Bank**

The Kazakh SSR State Bank will submit a report on its work and balance and on the summary balance of the republic banking system to the Kazakh SSR Supreme Soviet each year by a specific date.

The Kazakh SSR State Bank will publish its balance and the summary balance of the republic banking system.

**Article 8. Exemption of Kazakh SSR State Bank from payment of taxes, assessments, and duties and the distribution of its profits**

The Kazakh SSR State Bank and its establishments will be exempt from the payment of all types of taxes, assessments, and state duties.

The Kazakh SSR Supreme Soviet will authorize the distribution of bank profits each year at the request of the Kazakh SSR State Bank.

**Article 9. Governing body of Kazakh SSR State Bank**

The governing body of the Kazakh SSR State Bank will be a board headed by a chairman. The chairman of the board of the Kazakh SSR State Bank will be appointed by the Kazakh SSR Supreme Soviet for a term of six years at the request of the president of the Kazakh SSR. The structure and functions of the board will be stipulated in the charter of the Kazakh SSR State Bank.

## Section II. Commercial Banks and Other Credit Establishments

### Article 10. Commercial banks and other credit establishments

Commercial banks and other credit establishments (mutual credit societies, credit cooperatives, pension and investment funds, savings institutions, pawnshops, and others) performing the functions of financial intermediaries, on a reciprocal basis or for a fee, will be established within the territory of the republic to perform credit, settlement, and other services for enterprises, establishments, organizations, cooperatives, and citizens.

Commercial banks will be guided in their activities by this law, other laws of the Kazakh SSR, the legislative instruments of the Kazakh SSR State Bank, and their own charters and will perform functions for clients on agreed terms.

Banks and other credit establishments in the Kazakh SSR can be state, collective, or private property.

Commercial banks will differ in terms of the method of forming their charter fund (in the form of joint-stock companies or companies with limited liability), in terms of the ownership of their charter fund (joint banks and foreign banks), in terms of the operations they conduct (full-service and specialized banks), and in terms of their sectorial affiliations.

Commercial banks will be able to open their branches and representative agencies within the territory of the USSR, and also outside its borders with the permission of the Kazakh SSR State Bank.

Commercial banks will be independent of organs of state authority and administration when they make decisions on matters connected with routine banking operations.

Clients will be free to choose banks for credit and settlement services.

Banks will be able to form unions, associations, consortiums, and other organizations to coordinate their activities and to carry out large projects jointly.

Banks in the Kazakh SSR may not form associations for the purpose of manipulating interest rates or the terms of credit and other banking services.

### Article 11. Commercial bank charters

Commercial banks will act in accordance with the charters adopted by meetings of their shareholders (or partners).

The bank charter should contain:

- the name of the bank and its location (mailing address);
- a list of the banking operations it will conduct;
- the amount of its charter fund and a list of the other funds created by the bank;

- the statement that the bank is a legal entity and is operating on the basis of full economic accountability;
- a statement about the bank's administrative bodies, their structure, the manner of their formation, and their functions.

### Article 12. Creation of charter fund of commercial banks

The charter fund of a commercial bank can be formed by issuing stock or by collecting contributions from partners. The state, represented by republic or local executive and administrative bodies, can be a partner in a bank.

Minimum charter capital will be established:

- at 5 million rubles for joint-stock banks or banks owned by partner-shareholders;
- at 500,000 rubles for cooperative banks;
- at 50,000 rubles for private banks.

### Article 13. Commercial bank founders and partners

The founders and partners (or shareholders) of commercial banks will be legal and physical persons. Proportional participation by any founder or partner (shareholder) must not exceed 35 percent of the charter fund (with the exception of private banks).

### Article 14. Joint commercial banks with participation by Soviet and foreign organizations

Joint commercial banks with participation by Soviet and foreign organizations (or joint banks); banks with charter funds consisting of the capital of foreign legal entities and citizens (foreign banks); and branches and representative agencies of banks in other countries may operate within the territory of the Kazakh SSR. When joint and foreign banks are established, one of the foreign founders must be a bank.

The activities of these banks, branches, and representative agencies will be governed by the laws of the Kazakh SSR.

## Section III. Monetary Regulation

### Article 15. Circulation of money

The circulation of money in the Kazakh SSR will be managed in accordance with the procedure stipulated in the Union Treaty.

On orders from the Kazakh SSR Supreme Soviet, the Kazakh SSR State Bank will take part in the USSR State Bank's drafting of the basic guidelines of state monetary policy, on the basis of which the volume and structure of monetary circulation in the republic will be controlled.

The regulation of the volume and structure of the total amount of money in circulation will be accomplished by changing the amount of credit extended by commercial banks, buying and selling securities and foreign currency, changing the amount of the reserve funds commercial

banks will deposit in the Kazakh SSR State Bank, and changing the interest rates on the credit extended by the Kazakh SSR State Bank.

The issuance of currency will be accomplished by the sale of bank and treasury bills and coins by the Kazakh SSR State Bank to commercial and other banks for a non-cash equivalent.

#### Article 16. State debt servicing

The Kazakh SSR State Bank will service the state debt by conducting operations connected with the issuance of state loans, their repayment, and the payment of interest on them.

#### Article 17. Regulation of interest rates

The Kazakh SSR State Bank will regulate bank interest rates in the republic by changing the rate of interest on the credit it extends to commercial banks.

If the republic government should wish to secure commercial bank credit for certain projects or sectors at preferential rates in line with priority economic programs or for other reasons, it will have to cover the difference between the existing rate and the preferential rate with budget funds.

#### Article 18. Organization of circulation of currency

The Kazakh SSR State Bank will organize the circulation, transport, and safekeeping of currency, create reserve funds, and set up a bank collection system in Kazakhstan on a paid basis.

### Section IV. Operations of Kazakh SSR State Bank and Commercial Banks

#### Article 19. Transactions with precious metals and foreign currency

The Kazakh SSR State Bank will buy and sell gold and other precious metals in ingots, coins, bars, and other forms in the Kazakh SSR with its own funds and at the request of the Government of the Kazakh SSR and other organizations.

The republic State Bank will have a monopoly right to conduct operations with precious metals, with the exception of jewelry, on the territory of the Kazakh SSR.

The Kazakh SSR State Bank will buy and sell foreign currency in the Kazakh SSR, including banknotes, coins, and commercial paper, with its own funds and at the request of the Government of the Kazakh SSR and other citizens.

#### Article 20. Operations with banks

The Kazakh SSR State Bank will have the right:

a) to extend credit to commercial banks for a period agreed upon with the borrower;

b) to buy and sell promissory notes and checks signed by three persons known to be solvent, with a payment date 3 months from the date of purchase;

c) to buy and sell securities issued by the Government of the Kazakh SSR, the USSR, and the union republic governments on the secondary market;

d) to extend credit for a term not exceeding 3 months and secured by the following:

Promissory notes satisfying the requirements of point "b" of this article, in an amount not exceeding nine-tenths of their nominal sum;

Securities listed in point "c" of this article, in an amount not exceeding nine-tenths of their nominal sum.

#### Article 21. Banking operations

Banks may conduct all or some of the following banking operations:

1) the solicitation and investment of monetary deposits and credits;

2) the settlement of payment accounts at the request of clients and correspondent banks and the conduct of their cash transactions;

3) the keeping of accounts for clients and correspondent banks;

4) the funding of capital investments at the request of the owners or executors of investment funds;

5) the issuance of commercial paper and other securities (checks, letters of credit, promissory notes, stocks, bonds, and others);

6) the purchase, sale, and safekeeping of commercial paper and other securities and other operations with them;

7) the issuance of guarantees, authorizations, and other endorsements for third parties envisaging execution in monetary form;

8) the acquisition of accounts receivable for goods delivered and services rendered, the assumption of the risk of these accounts, and the collection of the accounts (factoring);

9) the purchase of foreign currency and currency in commercial accounts and deposits from organizations and citizens and the sale of these currencies to them;

10) the purchase and sale of precious metals and precious stones and items made of precious metals and precious stones in the Kazakh SSR, the USSR, and abroad;

11) the solicitation of deposits of precious metals and the investment of these deposits and other operations with valuables in accordance with international banking practices;



12) the offer of agent services: the attraction and investment of funds, the management of securities, and other services performed at the request of clients;

13) consulting services;

14) leasing operations.

Banks may conduct other operations envisaged in their charters.

Banks in the Kazakh SSR may conduct intermediary operations with securities and organize the issuance of securities after receiving a license for these operations from the Kazakh SSR Ministry of Finance.

Operations envisaged in this article can be conducted in rubles and in foreign currency.

The banking operations envisaged in points 1 and 2 of this article will be invalid if they are conducted by unauthorized individuals.

Commercial banks may conduct operations in foreign currency on licenses from the Kazakh SSR State Bank.

Article 22. Organization of settlements between banks by Kazakh SSR State Bank

The Kazakh SSR State Bank will organize payments between commercial banks through the correspondent accounts opened by these banks in establishments of the Kazakh SSR State Bank and by other means acceptable to the banks.

#### Section V. Savings Accounts

Article 23. Deposits by citizens

Savings deposits can be accepted from the population by all banks in the Kazakh SSR, whether they are specialized savings banks or commercial banks.

Depositors will be free to choose a bank for the safekeeping of their funds and can have savings accounts in one or several banks.

Banks accepting money for deposit will issue a deposit document to the depositor.

Article 24. Kazakh SSR Savings Bank

The Kazakh SSR Savings Bank will be the property of the Kazakh SSR and will be under the jurisdiction of the Kazakh SSR Cabinet of Ministers. The Savings Bank will be a specialized commercial bank conducting operations connected with the solicitation of citizens' savings and the safekeeping of these funds and offering credit and payment services to citizens.

The state will guarantee the safety of citizens' deposits in the Kazakh SSR Savings Bank and will issue the funds to depositors on request. The state will not be responsible for citizens' deposits in other commercial banks and other credit establishments.

Article 25. Investment of credit resources of Kazakh SSR Savings Bank

The money attracted by the Kazakh SSR Savings Bank will be used for investment on agreed terms for a fee in the Kazakh SSR State Bank and for the operations envisaged in Article 21 of this law.

Article 26. Interest on citizens' deposits

The Kazakh SSR Savings Bank will set interest rates on citizens' deposits within the limits of the rates set by the Kazakh SSR State Bank.

#### Section VI. Bank Foreign Economic Operations

Article 27. Foreign economic functions of Kazakh SSR State Bank

The Kazakh SSR State Bank will represent the interests of the Kazakh SSR in relations with the central banks of other states, international banks, and other financial and credit organizations where intergovernmental cooperation is envisaged on the level of central banks.

Article 28. Operations conducted by Kazakh SSR Foreign Economic Bank at request of republic government

The Kazakh SSR Foreign Economic Bank will conduct operations, envisaged in its charter, in the sphere of international monetary and settlement transactions at the request of the republic government.

Article 29. Bank currency funds

Banks may create currency funds from their profits in foreign currency.

Banks will use the money in currency funds for the development of their banking business and for investment abroad in the manner prescribed by existing law.

#### Section VII. Procedure of Opening and Closing Commercial Banks

Article 30. Authorizing procedure for establishment of commercial banks

The Kazakh SSR State Bank will authorize founders to establish commercial banks within the territory of the republic and outside the republic in line with the laws in force in the particular territory.

Article 31. Documents needed for establishment of commercial banks

To gain authorization for the establishment of a commercial bank, the following documents must be submitted in addition to the documents stipulated in the laws on joint-stock companies and other economic associations:

- a petition for authorization;
- economic substantiation;
- a report on the professional competence of the bank managers proposed by the founders (or partners).

Article 32. Additional documents needed for establishment of joint banks and opening of branches of banks in other countries

To gain authorization for the establishment of a joint commercial bank, a foreign bank, or a branch of a bank in another country, the following documents, certified in the prescribed manner, must be submitted in addition to the documents stipulated in Article 31 of this law:

For the founders (or partners)—legal entities:

a) a charter or other document confirming their legal status and published balance for the last 3 years;

b) the decision of the appropriate agency of the foreign founder (or partner) to participate in a joint bank, establish a foreign bank within the territory of the republic, or open a branch;

c) a written declaration from an auditing body in the country of the foreign founder (or partner) stating that it has no objections to participation by the foreign founder (or partner) in a joint bank within the territory of the Kazakh SSR or a declaration from an authorized agency or legal body to state that this kind of authorization is not required by law in the country of the founder (or partner).

Article 33. Registration of new commercial banks

The Kazakh SSR State Bank will keep a directory of banks in the republic.

New commercial banks will acquire the status of a legal entity at the time of their registration in the bank directory.

When the operations of a bank are terminated or when a branch or representative agency of a foreign bank or other credit establishment is closed, its name will be deleted from the directory.

Article 34. Procedure of opening branches and representative agencies of commercial banks on the territory of Kazakhstan

Commercial banks established in the USSR may open branches and representative agencies on republic territory following advance notification of the Kazakh SSR State Bank.

The procedure of opening branches and representative agencies of banks in other countries will be governed by the appropriate legal instruments.

Article 35. Grounds for refusal to issue authorization

The Kazakh SSR State Bank can refuse to authorize the opening of a commercial bank for any of the following reasons:

- articles of incorporation or a charter inconsistent with existing laws;

- financial instability on the part of founders or partners that could jeopardize the interests of bank depositors and creditors.

The Kazakh SSR State Bank can also refuse to authorize the establishment of a bank if it decides that the bank managers are professionally incompetent.

Article 36. Petition consideration period

The Kazakh SSR State Bank will consider petitions for authorization within a month after the receipt of the petition.

Article 37. Grounds for cancellation of authorization

The Kazakh SSR State Bank can revoke an authorization for the establishment of a commercial bank in the following cases:

- the discovery that the authorization was issued on the basis of false information;
- a delay of more than a year following the issuance of authorization in the start of operations;
- failure to observe the economic standards set by the Kazakh SSR State Bank in accordance with Article 42 of this law;
- the conduct of operations transcending the boundaries of the specific powers envisaged in the bank charter;
- the submission of false or misleading information or reports.

The cancellation of the authorization will be equivalent to a decision to close the bank.

Article 38. Obligation of commercial banks to inform Kazakh SSR State Bank of changes in articles of incorporation

Commercial banks will be obligated to inform the Kazakh SSR State Bank of changes in articles of incorporation. When the changes provide grounds for the refusal of authorization envisaged in Article 35 of this law, the Kazakh SSR State Bank can revoke the authorization, with the consequences envisaged in Article 37 of this law.

Article 39. Termination of commercial bank operations

A commercial bank will suspend operations in accordance with the provisions of Article 35 and 37 of this law and existing laws on joint-stock companies and companies with limited liability.

Article 40. Appeal and arbitration procedure

Decisions made by the Kazakh SSR State Bank can be appealed by the founders (or partners) of commercial banks or by commercial banks. Disputes will be settled by the Kazakh SSR State Arbitration Commission or by the appropriate court of law.

### **Section VIII. Regulation of Commercial Bank Operations by Kazakh SSR State Bank**

Article 41. Principles of Kazakh SSR State Bank relations with commercial banks

The Kazakh SSR State Bank will assist in establishing the general conditions for the functioning of a network of commercial banks and the institution of the principles of fair competition between banks.

The Kazakh SSR State Bank will not interfere in the routine operations of commercial banks. Its regulating and supervising functions will be limited by this law and will be intended to maintain the stability of the monetary system and protect the interests of bank creditors and depositors.

Article 42. Economic standards set by Kazakh SSR State Bank for commercial banks

To secure the financial stability of commercial banks and protect the interests of their creditors, the Kazakh SSR State Bank will set the following economic standards for commercial banks:

- minimum charter fund amounts;
- maximum difference between the bank's own funds and total assets;
- indicators of balance liquidity;
- size of obligatory reserve funds in Kazakh SSR State Bank;
- maximum amount of risk per borrower.

Besides this, the Kazakh SSR State Bank can set the following:

- limits on the size of currency, interest, and exchange rate risks;
- standard obligatory investments in state securities.

Article 43. Supervisory functions of Kazakh SSR State Bank

The Kazakh SSR State Bank will oversee the observance of obligatory standards set in accordance with this law by banks, the proper enforcement of banking laws, and the observance of its own legislative instruments. The Kazakh SSR State Bank may schedule an inspection of commercial bank operations for the performance of these functions.

The inspection of commercial bank operations will be conducted by the auditing service of the Kazakh SSR State Bank or by an auditing organization at its request.

Commercial banks will be obligated to submit balance sheets, reports, and other documents connected with banking operations to the Kazakh SSR State Bank to facilitate its supervisory activities. These data will be kept confidential.

Article 44. Powers of Kazakh SSR State Bank in cases of violations of set standards by commercial banks

When violations of standards, set in accordance with this section of the law, by a commercial bank are discovered, the Kazakh SSR State Bank will set the dates and other conditions for the rectification of errors.

In cases of repeated violations of standards, the nonobservance of Kazakh SSR State Bank instructions regarding the dates and conditions for the correction of banking operations, the failure to submit reports, the submission of false or misleading information, the submission of annual reports showing a loss, and the creation of situations jeopardizing the interests of bank creditors, the Kazakh SSR State Bank can instruct commercial bank founders (or partners):

- to institute measures for the financial recovery of the bank;
- to reorganize the bank;
- to close the bank.

The Kazakh SSR State Bank may impose economic sanctions in the form of larger obligatory reserve accounts for commercial banks violating the standards stipulated in this section of the law.

### **Section IX. Relations Between Banks and Commercial Bank Client Services**

Article 45. Interbank deposits, credits, and other operations

Commercial banks may solicit and invest each other's funds on agreed terms in the form of deposits and credits and conduct other mutual operations envisaged in their charters.

If commercial banks have insufficient credit resources to meet their own obligations, they can apply for credit from the Kazakh SSR State Bank or other banks on agreed terms.

Article 46. Credit repayment guarantees

Banks will accept credit payment guarantees in the form of collateral, sureties, and other commercial obligations accepted in banking practices.

Banks may decide to extend credit without a guarantee (blank credit).

Article 47. Forms of payment

Republic banks will conduct payment transactions in the national economy in the forms established by the USSR State Bank and in forms accepted in international banking practices.

The clients of banks in the Kazakh SSR will be free to determine the sequence of payments from their accounts.

**Article 48. Declaration of borrower's insolvency**

Borrowers not meeting their obligations for the timely repayment of funds received from banks can be declared insolvent by them.

**Article 49. Measures taken against a borrower declared insolvent**

At the request of the bank, the following measures can be taken against a borrower who has been declared insolvent:

- the transfer of routine management to administrators appointed with the approval of the creditor bank;
- reorganization;
- the liquidation and sale of property used as collateral.

The measures proposed by the bank will be taken, depending on the legal status of the borrower, by a superior body, the executive committee of the soviet of people's deputies, or the founders (or partners).

**Article 50. Statute of limitations on bank claims**

There will be no statute of limitations on the credit claims of banks in the Kazakh SSR.

**Article 51. Banking confidentiality**

Banks in the Kazakh SSR will guarantee the confidentiality of the operations, accounts, and deposits of their clients and correspondent banks.

Information about the operations and accounts of legal entities and other organizations may be issued to courts, investigative bodies, agencies of the procuracy, state arbitration bodies, auditing organizations, and financial agencies requesting information on tax matters.

Information about the accounts and deposits of citizens will be issued to, in addition to the clients and their representatives, courts and investigative agencies connected with matters within their jurisdiction, and in cases in which the money and other valuables of clients in accounts and safe deposit boxes could be attached, searched, or confiscated.

In the event of the death of depositors, information about accounts and deposits will be issued to the account or deposit owners named in wills addressed to the bank, to state notary offices processing the wills of deceased depositors, and to foreign consular establishments.

**Article 52. Attachment and confiscation of money and valuables kept in banks**

The money and other valuables kept in banks by legal persons can only be attached by court orders or the orders of investigative agencies or arbitration bodies, and confiscation will require a writ of execution issued by a court, orders from an arbitration body, or other writs, and other cases envisaged by law.

**Article 53. Commercial bank accounting rules**

The rules governing accounting in commercial banks will be set by the USSR State Bank.

**Article 54. Publication of annual balances and profit and loss statements**

Commercial banks in the republic will publish annual balances and profit and loss statements in the forms and on the dates stipulated by the Kazakh SSR State Bank in a special publication following the verification of the information.

**Article 55. System of collective deposit insurance**

To protect the interests of bank creditors, the Kazakh SSR State Bank will be empowered to organize and implement a deposit insurance system.

The deposit insurance system will cover the losses of the owners of all deposits up to a specific amount in the event of the bankruptcy or insolvency of a bank belonging to the system.

All banks receiving licenses and operating in accordance with this law can participate in the collective deposit insurance system.

**Decree on Law's Implementation**

914A0488B Alma-Ata KAZAKHSTANSKAYA PRAVDA  
in Russian 18 Jan 91 p 3

[Kazakh SSR Supreme Soviet Decree on Implementation of Kazakh SSR Law "On Banks and Banking Activities in the Kazakh SSR," signed by Chairman Ye. Asanbayev of Kazakh SSR Supreme Soviet]

[Text] The Supreme Soviet of the Kazakh Soviet Socialist Republic decrees:

1. That the law of the Kazakh SSR: "On Banks and Banking Activities in the Kazakh SSR" will go into force at the time of its publication.
2. That the Kazakh republic bank of the USSR State Bank will be renamed the State Bank of the Kazakh SSR.
3. That the Kazakh SSR State Bank will have jurisdiction over the Kazakh Republic Administration for Cash Transactions and the Transport of Valuables, the computer centers of the USSR State Bank and the branches of the USSR State Bank's central repository on republic territory, and the Alma-Ata and Karaganda finance and credit tekhnikums.
4. That buildings, installations, and fixed and working capital as of 1 October 1990 will be turned over to the Kazakh SSR State Bank.
5. That the Kazakh SSR State Bank will be authorized to apply Decree No 803 of the USSR Council of Ministers of 29 September 1989: "On the Improvement of the

Wages of Staff Personnel of State Administrative Bodies" to the staff of the USSR State Bank board.

6. That the Kazakh SSR State Bank will draft the Kazakh SSR State Bank Charter and submit it to the Kazakh SSR Supreme Soviet for approval within three months.

7. That the Kazakh SSR State Bank will draft and approve the provisions and instructions needed for the performance of its functions.

8. That the following stipulations in existing USSR laws will be enforced until a new Union Treaty has been concluded:

- the regulation of monetary circulation by the USSR State Bank;
- the procedure of issuing loans and managing accounts by banks.

9. That the Kazakh SSR Cabinet of Ministers will take the necessary measures to reorganize state specialized banks in the Kazakh SSR and turn them into commercial banks.

## Kazakh Legislation on Ownership Issued

### Text of Law

914A0478A Alma-Ata KAZAKHSTANSKAYA PRAVDA  
in Russian 8 Jan 91 p 2

["Law": "KaSSR Law Governing Ownership  
in KaSSR"]

[Text]

## Section I. General Principles

### Article 1. Right of Ownership

1. The right of ownership is the subject's recognized and legally protected right, at his own discretion, to own, use, and dispose of the property belonging to him.

2. Right of ownership is the possibility of exercising the possession of an article.

The right of use is the possibility of extracting from an article its beneficial natural properties, appropriating the proceeds from it, and obtaining other benefits.

The right to dispose of an article is the possibility of determining the actual or legal fate of the article.

3. The owner can transfer his rights to own, use, and dispose of property to another person; to transfer the property for ownership or administration to another person; and also has the right to carry out with respect to his property any actions that do not contradict the law. He can use the property to carry out any economic or other activity that is not banned by law.

4. The owner, in conformity with legislative acts of the KaSSR, has the right to conclude contracts with citizens concerning the use of their labor.

Irrespective of the form of ownership on the basis of which the citizen's labor is being used, he is provided with payment and working conditions, as well as other socioeconomic guarantees, that are stipulated by the legislation that is in effect.

5. The exercising of the right of ownership must not damage the environment or violate the rights and legally protected interests of citizens, legal entities, or the state.

6. The ownership relations are regulated by the KaSSR Constitution and this Law.

7. The peculiarities of exercising the right of ownership of monuments of history and culture, as well as the relations pertaining to the creating and use of inventions, discoveries, works of science, literature, or art, or other objects of intellectual ownership are regulated by special KaSSR legislation.

### Article 2. Objects of the Right of Ownership

1. Objects of the right of ownership are the land, its mineral resources, bodies of water, the air space, the vegetable and animal kingdom, other natural resources, enterprises, buildings, structures, equipment, raw and other materials, money, including foreign currency, shares, other negotiables, and other property.

2. The results of the use of the objects of ownership (output and income), unless otherwise stipulated by the law or a contract, belong to the owner.

### Article 3. Subjects of the Right of Ownership

1. Subjects of the citizens' right of ownership are citizens of KaSSR, USSR, the citizens of the other union republics, as well as stateless persons.

2. Subjects of the right of collective ownership are legal entities of KaSSR, USSR, as well as the other union republics.

3. The subject of state ownership on the republic's territory is the Kazakh SSR as a sovereign state.

On behalf of KaSSR, the owning, use, and disposal of state property are carried out by the soviets of people's deputies at all levels.

Other subjects of the right of state ownership on the republic's territory can be, under the conditions of and within the limits stipulated by KaSSR legislation: USSR, the union and autonomous republics, autonomous oblasts and autonomous okrugs, and the administrative-territorial formations of the other union republics.

4. In KaSSR foreign states, international organizations, and foreign legal entities and citizens have the right to act as subjects of the right of ownership, under the conditions of and within the limits stipulated by KaSSR legislation.



**Article 4. The Right of Complete Economic Management and the Right of Flexible Administration**

1. The owner can transfer his property for complete economic management to an enterprise that has been created by him, that is a legal entity.

The enterprise to which the property has been transferred with the right of complete economic management carries out, with respect to that property, the owner's rights and obligations.

The owner or persons empowered by the owner, in conformity with the legislation and the enterprise's founding documents, resolve the questions of the creation of the enterprise and the determination of the purposes of its activity, and its reorganization or liquidation, and monitor the effectiveness of the enterprise's use of the property and the intactness of that property.

The owner has the right to a part of the profit resulting from the use of the property of the enterprise that was created by him.

2. The owner can transfer his property for flexible administration to an institution that has been created by him, which is financed from the owner's funds and which is a legal entity. This institution carries out, within the limits established by legislative acts, and in conformity with the purposes of its activity, the owner's assignments, and the purpose of the property, the right to own, use, and dispose of that property.

The owner of property that has been transferred to an institution has the right to withdraw that property or to redistribute it among other legal entities that have been created by him, at his own discretion in conformity with the legislation.

Institutions carrying out entrepreneurial activity that has been authorized to them by the owner have the right to dispose independently of the income from such activity and the property that has been acquired with that income and that belongs to it on the basis of the right to complete economic management.

**Article 5. Exaction of the Owner's Property**

1. In accordance with the obligations of a legal entity, the owner can initiate exaction of any property belonging to him on the basis of the right of ownership or complete economic management, as well as flexible administration.

The owner is not responsible for the obligations of the legal entities created by him, and they are not responsible for the owner's obligations, except in the instances stipulated by KaSSR legislative acts.

2. Citizens are responsible for their obligations pertaining to the property belonging them on the basis of the right of ownership.

The list of citizens' property that cannot be exacted on the basis of claims made by creditors is established by KaSSR legislation.

**Article 6. Forms of Ownership**

1. Ownership in KaSSR acts in the form of citizens' ownership and collective and state ownership.

2. It is possible to convert one form of ownership into other forms, and also to create mixed forms of ownership.

3. Property can be owned in common by several owners with each of them having a definite share of the right of ownership (shared ownership) or without the determination of the shares (joint ownership).

**Section II. Citizens' Ownership****Article 1. Citizens' Ownership**

1. The following are citizens' ownership: products of intellectual and material activity, enterprises, and material objects, including articles of personal consumption, producer goods, patents, licenses, money, including foreign currency, shares, other negotiables, and other property.

2. Citizens' ownership acts in the form of:

- personal ownership, for the satisfying of the citizens' physical and spiritual needs, without the extraction of income;
- private ownership, which is intended for the extraction of income.

3. Citizens' ownership is created and multiplied by means of their labor income from participation in public production, from the management of their own economy, income from private ownership, and funds deputies to credit, insurance, and other institutions, shares, and other negotiables, from the acquisition of property through inheritance or on another basis that is permitted by law.

4. Citizens have the right, with the owner's consent, to make a monetary or other contribution to the property of his enterprise or management, and to participate in the distribution of the profit (income) of that enterprise or management in proportion to the extent of his contribution or within the limits defined by the appropriate contract.

5. A member of a housing, housing-construction, dacha, garage, or other cooperative who has completely deposited his shared fee for an apartment, dacha, garage, or other structure or accommodations offered to him for his use acquires the right of ownership of that property from the moment of complete payment.

The person leasing housing in a building that is part of the state and public housing fund and the members of his family have the right to buy that apartment or building from the owner.

6. The principles stated in this article extend also to foreign citizens' property that is situated on the territory of KaSSR.

#### **Article 8. Ownership of a Labor or Peasant Farm**

1. Any objects necessary for the independent running of a farm, with the exception of those banned by KaSSR legislation, are the property of a labor or peasant farm.
2. The property of a labor farm, including the produced output and the derived income, is the common shared property of the family members and other persons jointly running the farm, unless otherwise stipulated by a contract between them.
3. The property of a peasant farm belongs to its members on the basis of the right of common shared ownership.

### **Section III. Collective Ownership**

#### **Article 9. General Principles of Collective Ownership**

1. Collective ownership includes the property owned by leased or collective enterprises, kolkhozes, and other types of cooperatives, joint-stock societies and associations, economic associations, public organizations, and other associations that are legal entities.
2. The formation and multiplication of collective ownership are guaranteed by transferral of state enterprises to rental; the granting to labor collectives of the opportunity to use the obtained income to redeem state property; the transformation of state enterprises into joint-stock societies; and the voluntary unification of the property owned by citizens and legal entities to create cooperatives, joint-stock societies, and other economic societies and partnerships.

#### **Article 10. Property Owned by a Leased Enterprise**

1. The property owned by a leased enterprise includes the produced output, the obtained income, and other property acquired at the expense of that enterprise's funds.
2. The procedure and conditions by which the members of a labor collective at a leased enterprise participate in the administration of its affairs and in the distribution of the profit (income) are defined by the legislation governing leases.

#### **Article 11. Property Owned by a Collective Enterprise**

1. The ownership of a collective enterprise arises in the event that all the property owned by a state enterprise is transferred to the ownership of a labor collective, the leased property is redeemed, or if property is acquired by other means stipulated by the law.
2. The contributions made to a collective enterprise by its workers are determined to be part of that enterprise's property. That contribution includes the total contribution made by the worker to the property of a state or leased enterprise on the basis of which the collective enterprise was formed, as well as the contribution made by the worker in building up that enterprise's property after its creation.

The size of the worker's contribution in building up the property is determined on the basis of his labor participation in the enterprise's activity.

The contribution made by a worker at a collective enterprise is used as the basis for computing and paying interest in the amount determined by the labor collective on the basis of the results of the enterprise's economic activity.

The value of a worker's contribution and the appropriate interest are paid to a worker who has ceased labor relations with an enterprise, or to the heirs of a deceased worker.

When a collective enterprise is being eliminated, the value of the contribution is paid to the workers (or to their heirs) from the property remaining after settlements are made with the budget, banks, and other enterprise creditors.

#### **Article 12. Property Owned by a Kolkhoz and Other Types of Cooperatives**

1. The property owned by kolkhozes and other types of cooperatives includes objects formed at the expense of the monetary and property contributions made by its members, the output produced by them, and the income derived from sales and other activities stipulated by the charter of the kolkhoz or other type of cooperative.
2. When a kolkhoz or other type of cooperative is being eliminated, the property remaining after settlements with the budget, banks, and other creditors is distributed among the members of the kolkhoz or other type of cooperative.

#### **Article 13. Property Owned by an Economic Society or Association**

1. The property owned by economic societies and associations acting as legal entities include objects formed at the expense of the participants' contributions, as well as property obtained as a result of the economic activity or acquired by other means authorized by law.
2. Enterprises, institutions, organizations, state agencies, as well as citizens, can be participants in an economic society or association.

#### **Article 14. Property Owned by a Joint-Stock Society**

1. The property owned by a joint-stock society is the property created at the expense of the sale of shares, as well as that obtained as a result of its economic activity or acquired by it by other means authorized by law.
2. The shareholders can be enterprises, institutions, organizations, and state agencies.

Other shareholders can be the workers in the given society and other citizens, unless otherwise stipulated by the society's charter.

3. On the basis of a joint decision by the labor collective and the state agency so empowered, a state enterprise can be transformed into a joint-stock society by the issuance of shares covering the entire value of the enterprise's property. The funds obtained from the sale of shares, after the covering of the debts owned by the state enterprise, become part of the appropriate budget.

#### **Article 15. Property Owned by Associations**

1. The property owned by associations is the property voluntarily transferred to them by enterprises and organizations, as well as the property acquired as a result of their economic activity.

2. Associations do not have the right to own the property of their component enterprises or organizations.

3. The property remaining after associations cease operating is distributed among their component enterprises and organizations.

#### **Article 16. Property Owned by Public Organizations and Foundations**

1. The property owned by public organizations and foundations are the objects necessary for materially supporting the activity stipulated by their charters (statutes), as well as the enterprises created at the expense of their funds.

2. The property remaining after the elimination of public organizations and foundations is used for the purposes stipulated by their charters.

#### **Article 17. Property Owned by Religious Organizations**

1. The following are the property owned by religious organizations: buildings, religious objects, articles intended for production, social, and charitable purposes, the monetary funds, and other property necessary to guarantee their activity.

2. Religious organizations have the right to own the property acquired or created by them at the expense of their own funds, donated by citizens or organizations, or transferred by the state, or acquired by other means that do not contradict the law.

### **Section IV. State Ownership**

#### **Article 18. General Principles Concerning State Ownership**

1. The state ownership of Kazakh SSR acts as a kind of republic ownership and communal ownership.

2. On behalf of KaSSR, the possession, use, and disposition of state property are carried out by the appropriate soviets of people's deputies directly or through executive agencies empowered by them.

The soviets of people's deputies at all levels are equal in carrying out the legal powers extending to the objects of state property that are under their jurisdiction and

dispose of them at their own discretion within the confines of the laws of Kazakh SSR.

#### **Article 19. Property Owned by Kazakh SSR**

1. The land, its mineral resources, bodies of water, the air space, the vegetable and animal kingdom, other natural resources, and monuments of history and culture are exclusively the property of Kazakh SSR.

The property owned by Kazakh SSR also includes the property owned by the KaSSR agencies of authority and administration; the cultural and historical assets of the KaSSR people; the funds in the republic budget; republic banks; republic insurance, reserve, and other funds; as well as republic-level enterprises and property complexes and other property (including that situated outside the confines of the republic), other than the property indicated in Article 20, which guarantee the republic's sovereignty and its social and economic development.

2. On behalf of Kazakh SSR, the possession, use, and disposition of the republic's property are carried out by KaSSR Supreme Soviet directly or through state agencies empowered by it.

#### **Article 20. Communal Property**

1. Communal property includes the property owned by the agencies of authority and administrative in the administrative-territorial formation; the funds in the local budget; the housing fund and the housing and municipal-services management of the local soviet of people's deputies; as well as enterprises of agriculture, trade, and personal services, industrial, construction, and other enterprises and complexes, institutions of public education, culture, and public health, and other property necessary for economic and social development and the fulfillment of other tasks confronting the corresponding administrative-territorial formation, in conformity with KaSSR legislation governing local self-government.

2. On behalf of the population of the administrative-territorial formations, the possession, use, and disposal of objects of communal property are carried out by the local soviets of people's deputies directly or through executive agencies empowered by them.

3. The right to manage freely all the enterprises that are included as communal property is guaranteed by special KaSSR legislation.

#### **Article 21. Property Owned by the USSR and the Union Republics and the Autonomous Republics and Autonomous Formations**

On the territory of Kazakh SSR, the following are the state property of the USSR, the union republics, the autonomous republics and other autonomous formations: the objects transferred to them in conformity with the principles in a Union Treaty, as well as those newly created by them at the expense of budgetary or other funds.



## Article 22. Property Owned by Foreign States

On the territory of KaSSR, any objects created and operating in conformity with international treaties or legislative acts of Kazakh SSR can be the property owned by foreign states.

## Section V. Guarantees, Protection, and Limitations of Ownership Rights

### Article 23. Guarantees and Protection of Ownership Rights

1. Kazakh SSR guarantees the stability of the ownership relations that have been established in conformity with this Law.

2. Kazakh SSR guarantees the equality before the law of all forms and subjects of ownership and the equal protection of their rights.

3. In the event of enactment in Kazakh SSR of laws, ukases, decrees, or other normative acts by the republic's agencies of authority or administration, or decrees and decisions by the local soviets of people's deputies or their executive committees, that discontinue the right of ownership, the losses incurred by the owner as a result of the enactment of such acts, on the basis of a court decision, are compensated to the owner in full volume by the agency that made that decision, as well as Kazakh SSR.

4. The withdrawal by the state of property from an owner is authorized only when exacting that property to meet the owner's obligations in the instances and procedure stipulated by legislative acts, and also by a procedure of requisitions and confiscations.

5. Kazakh SSR recognizes and protects by law the right of citizens to inherit property.

6. Kazakh SSR defends the rights that all Kazakh SSR citizens, as subjects of ownership, have to property that is located on the territory of other republics and states.

7. Kazakh SSR guarantees the protection of the property of foreign citizens and legal entities that is located on its territory.

8. The soviets of people's deputies, the state agencies empowered by them, and their officials guarantee the formalizing and registration of acts that establish any changes in the state of ownership.

### Article 24. Limitations of Ownership Rights

1. The objects that are exclusively the property of Kazakh SSR, as indicated in paragraph 1 of Article 19 of this Law, cannot be property owned by citizens or collective or communal property.

2. Any limitations of ownership rights, other than those established by KaSSR legislation, are banned.

### Article 25. Invalidity of Acts That Violate Ownership Rights

If, as a result of the promulgation of an act that does not correspond to the law by an agency of state administration or by a local agency of state authority, there is a violation of the rights of the owner or other persons to possess, use, or dispose of the property belonging to them, that act is recognized as being invalid by legal action initiated by the owner or other person whose rights have been violated.

The losses incurred by citizens, organizations, and other persons as a result of the promulgation of such acts are to be compensated in full volume from the funds at the disposal of the appropriate agency of authority or administration.

N. Nazarbayev, president of the Kazakh Soviet Socialist Republic.

### Resolution on Law's Implementation

914A0478B Alma-Ata KAZAKHSTANSKAYA PRAVDA  
in Russian 8 Jan 91 p 2

[Resolution: "Resolution of KaSSR Supreme Soviet: 'Implementation of the KaSSR Law Entitled 'Ownership in Kazakh SSR'""]

[Text] The Supreme Soviet of the Kazakh Soviet Socialist Republic resolves:

1. To implement KaSSR Law entitled: "Ownership in Kazakh SSR," effective 1 January 1991.

2. Decisions by the USSR and KaSSR governments on questions that, in accordance with the law, can be regulated only by legislative acts, and that were promulgated prior to the implementation of this Law, remain in effect until the enactment of the appropriate legislative acts.

3. KaSSR Law entitled: "Ownership in Kazakh SSR" is applied to legal relations that arose after the implementation of the law, that is, after 1 January 1991.

With regard to legal relations that arose prior to 1 January 1991, KaSSR Law entitled: "Ownership in Kazakh SSR" is applied to those rights and duties that will arise after the implementation of the law.

4. The principles in KaSSR Law entitled: "Ownership in Kazakh SSR" that pertain to state property go into effect in proportion to the delimitation of property among the types of state ownership that are indicated in the law.

5. KaSSR Cabinet of Ministers is instructed:

—to submit, in the first half of 1991, for consideration by KaSSR Supreme Soviet, drafts of:

KaSSR legislative acts that regulate the relations pertaining to the creation and use of inventions and discoveries, works of science, literature, and art, and other objects of intellectual property;

a legislative act defining the types of property which, for reasons of state or public security, or in conformity with international treaties, cannot be owned by citizens;

legislative acts governing joint-stock societies and other economic societies and associations;

a legislative act regulating the relations with regard to the hiring of manpower;

- to assure that, prior to 1 March 1991, the decisions of the KaSSR government are put into conformity with the KaSSR Law entitled: "Ownership in Kazakh SSR";
- to guarantee, prior to 1 March 1991, the reconsideration and replacement by KaSSR ministries, state committees, and departments of their normative acts, including instructional guides, that contradict that law;
- to submit to KaSSR Supreme Soviet, prior to 1 March 1991, recommendations concerning ways to put the KaSSR legislative acts into conformity with KaSSR Law entitled: "Ownership in Kazakh SSR."

Ye. Asanbayev, chairman of KaSSR Supreme Soviet.

### First Leningrad Commodities Exchange Registered

914A0461A Leningrad *LENINGRADSKAYA PRAVDA* in Russian 5 Dec 90 p 1

[Article by A. Yefimov: "An Exchange—This Is Advantageous"]

[Text] The first commodities exchange has been registered in Leningrad. It is destined to provide assistance to enterprises in obtaining information about the prices being formed for goods and services in the country's markets and abroad.

It is intended that the exchange, having extensive connections in the commercial world, will help enterprises find buyers and sellers of products on an intermediary basis, and will provide the necessary consultations on formatting purchase and sale documents in accordance with the established world rules for arranging and conducting trades. Connections with French and Italian trade exchanges have already been established.

Both Soviets and foreign partners may be members of the Leningrad Commodities Exchange.

If you wish to sell at a profit, or buy a needed commodity more cheaply, the instituted exchange's coworkers will help you in this. For starters, it suffices to call the telephone number 530-83-49.

Among the exchange's founders are the Dzerzhinskiy Rayon Executive Committee of the People's Deputies, the stock bank "INSET" [expansion not given], the limited liability company "Russkiy Kapital" ["Russian Capital"], the foreign economy firm "PAROM" [expansion not given], the association of cooperatives

"Vozrozhdeniye" ["Rebirth"], and the Leningrad agency of "AKSIS" [expansion not given].

### Leningrad Begins Privatization of State Enterprises

914A0461B Leningrad *LENINGRADSKAYA PRAVDA* in Russian 19 Dec 90 p 1

[Unattributed article: "Leningrad Privatization Plan Adopted"]

[Text] Although this event has gone unnoticed so far, it is revolutionary in the opinion of a number of Leningrad enterprise managers. A few days ago, N.I. Ryzhkov, chairman of the USSR Council of Ministers, signed a decree on changing state enterprises in Leningrad and Leningrad Oblast into stock companies and other forms of property, which signifies the beginning of privatization, and clears the way for the actual transfer of property to those who create it.

On 15 December, our newspaper told you about the nature of this plan, developed by the Union of Leningrad Enterprise Associations, in the article: "Privatization: The Plan Proposed to the Government." By the way, we must provide a clarification: In the third column, where there is discussion of the value of property acquired by enterprises out of their net profit after the changeover to full cost accounting and self-financing, the date of the changeover should be considered "as of 1 January 1988" (for some enterprises, this will be 1987).

In the near future, we will acquaint our readers with the Leningrad privatization variant's particulars and the first steps on this path.

### Moscow Soviet Takes Measures Toward Housing Privatization

914A0461C Moscow *VECHERNYAYA MOSKVA* in Russian 18 Dec 90 p 2

[Editorial answer to a reader's question: "We Shall Be the Owners"]

[Text] [Question from] Ye. Lopatin: When is the Moscow Soviet finally going to set about the actual privatization of housing that its leaders talk about so much?

[Answer] It should not be forgotten that the privatization of housing will require, as a minimum, a preparatory period for an inventory, a most detailed one, of the housing resources existing in the capital. Meanwhile, it is gratifying that a resolution concerning housing privatization, at least in principle, was adopted in the Moscow Soviet's last session. We cite the detailed comments on this event, published by the capital-city newspaper KURANTY.

"Everybody will receive the average norm for housing—17 square meters per person plus 12 meters for the apartment renter—free of charge.... The value of one square meter will vary. It will be determined by a

specially developed methodology. If the actual value of the square meter and area of an apartment turns out to be higher than the normative value, the difference will have to be paid into the local soviet's budget. If the actual value is lower than the normative, then compensation will be paid to Muscovites in designated personal accounts. This money may be used only for improving the housing's conditions.

"If you have a private state apartment, you now will have the right to sell it or give it away, or to pass it on as an inheritance. You may sell a room in a communal apartment only to your apartment mates or the local soviet.

"Until a housing market is formed, only those persons permanently residing in Moscow may become housing owners."

### **Estonian Minister of Material-Technical Resources Interviewed**

91A0443A Tallinn SOVETSKAYA ESTONIYA  
in Russian 7 Dec 90 p 2

[Interview with Aleksandr Sikkal, Estonian Republic minister of material-technical resources by Ya. Tolstikov: Resource Supply and the Economy"; date, place not specified]

[Text] Many people are talking about material-technical resources today. Economic relations are crumbling; the country's crisis is intensifying. How problems of providing the republic's national economy with material resources and raw materials, such is the topic of our correspondent's discussion with Aleksandr Sikkal, Estonian Republic minister of material-technical resources.

[Correspondent] To start, I would like to find out: How are we finishing off 1990, and what will we take into the new year, 1991; can you give us a general picture?

[Sikkal] Both the current year and the previous year, 1989, are characterized by a general slump in production in all areas in the union, and violation of delivery discipline. And all of this could not but have a negative effect on the republic's economy. Estonia is a republic that for the most part imports raw stuffs and material. And for the most part it exports finished products beyond its borders. Such has long been our specialization, and it cannot be changed in a short period. The recent period is marked, along with everything else, not only by a reduction of deliveries from other regions of the USSR, but by a sharp decline in the deliveries for import as well, which, incidentally, concerned the Soviet Union as a whole, and not just us. I have in mind deliveries of steel, soda ash, polyethylene, polyester, from the "socialist camp." The slump in economic activity, the disruptions of deliveries already agreed to also has an effect on the overall situation. If we look at the funds and the limits for 1990, then we see that on paper, they would meet the republic's demands. But the problem is that the deliveries of raw stuffs and materials

which are components of other products stipulated by the funds and limits are constantly being disrupted through the fault of the actual producers. I would cite here the automobile industry, trucks and other products; the chemical and metallurgical industry, particularly pipes. The shortfall deliveries in the republic by these branches are particularly perceptible, and it is practically impossible to fulfill them by any other means.

[Correspondent] And how does this affect the functioning of the national economy?

[Sikkal] Despite all the complexity, according to the figures for 11 months, the republic has fulfilled approximately 99 percent of its obligations for deliveries to other regions of the country. And I want to stress this fact in particular. Almost all the obligations have been met. True, I am speaking only of industry.

[Correspondent] Well then, what still remains unfulfilled?

[Sikkal] For example, because of the lack of soda ash we cannot produce glass and glass containers.

[Correspondent] Could you cite a total figure for the republic's supply shortfall in the products and raw materials we need, even a rough figure?

[Sikkal] There are no precise statistical data on that score, unfortunately. Yet I would say that the Union's fulfillment of such obligations to the republic is somewhere on the level of 90 percent, no more.

[Correspondent] "Our" figure is 99 percent fulfillment. At the same time, the same figure with regard to Estonia is 90 percent... But these figures relate to the year drawing to a close. But what is the forecast for the situation in the coming year?

[Sikkal] I say with complete responsibility that there is nothing definitive as to how 1991 will shape up. Before October 1990, the union government did not have its idea of material-technical supply for the new year, although, as usual, it was just at this time that all the country's principal issues of supply had already been resolved. But the idea today is such: The priority branches—defense, export, agriculture, part of light industry, a total of 270 types of goods—will be provided for by the union state order, in a centralized manner. As for everything else, and in our republic that is all local industry, the communal and social sphere, the municipal economy, medicine, education, all of this will be left in direct relations between the supplier and consumer, that is, in fact, left without material coverage. Yet from our point of view, everything associated with man is a priority. That means heat for his housing, transportation, and their communal services, that means the health of the population.

[Correspondent] And foodstuffs?

[Sikkal] State order is in effect in agriculture, and that is a separate topic. I think that we will not remain without

foodstuffs. As we know, the ukase of the USSR President on the need to preserve the existing economic relations in the future came out in September 1990. And from our point of view, such a position would be true. However, in view of the fact that at the same time, the USSR Government adopted a resolution to allocate priority for supply to branches, the relations that had formed began to collapse. We propose that the republic be considered by the union government as a single economic whole, and a pact on mutual deliveries be concluded between Estonia and the union.

[Correspondent] And would the union enterprises enter into this republic economic complex?

[Sikkal] Yes, undoubtedly, both light industry, local and union industry, everything. Incidentally, that is how it was before 1990, with the exception of the defense branches. Now, for supply, the union industry is separated from the remaining economic complex of the republic. To my mind, the fuss over "Integral" played a negative role here.

[Correspondent] But perhaps it is more advantageous and simpler for the union enterprises to be supplied with raw stuffs and material while bypassing the republic organs?

[Sikkal] I wouldn't say that. I have a report compiled in the summer of 1990 by managers of a number of enterprises of union subordination, which states that they are opposed to being supplied directly by Moscow, because by doing so, their economic relations are being violated.

[Correspondent] But all the same, the settled procedure had been violated?

[Sikkal] The problem was that we had been squeezed into a single union scheme, in which the republic was no longer considered a single economic complex. This is all the famous idea of the center: Divide and rule. On 10 November at a meeting with N. Ryzhkov, we seemed to have agreed that a protocol agreement between USSR Gosplan and Gosstat on the one side and the republic government on the other would be compiled. N. Ryzhkov did not make an intergovernmental agreement, but he seemed to have agreed to this, yet it has been hampered.

[Correspondent] Nevertheless, how will it be with the idea of supply in 1991?

[Sikkal] Without having gotten a confident answer from the union government, we continued our ideology of horizontal relations on various levels. Five agreements have already been concluded on the republic level—with Kirghizia, Armenia, Tajikistan, Georgia, and the Ukraine. In addition, through its auspices, the republic Ministry of Material Resources has made agreements with the gosstats or ministries of material and technical resources of 11 union republics. In addition, our ministry concluded a contract with 27 territorial supply and

sales organizations in Russia, in its oblasts, krays, and autonomous republics. In such contracts, we stipulate the need to preserve and develop existing economic relations, to observe mutual deliveries.

[Correspondent] Is it possible now, at the end of the year, to say which branches will be completely provided with resources, which partially, and which will possibly not be provided at all, or have these not been stipulated by any sort of document for the time being?

[Sikkal] We haven't yet completely solved the issues of providing raw materials to the enterprises of the republic circle—this is first and foremost local industry; in particular, there is no clarity on the provision of imported raw materials, and such is the situation throughout the union. We are being invited to enter the newly-created union hard currency committee, but the conditions existing there suit neither us, nor the republic government, nor the enterprises—too many deductions will go then to the all-union hard currency funds. It is proposed that all foreign economic operations be implemented only through the USSR Vneshekonombank, through a one-channel system.

[Correspondent] But this infringes the rights of enterprises, their independence, in other words, a return to the old way.

[Sikkal] The country's hard currency situation is very grave now, and new hardships will likely come to pass. It is hard to say whether this will be of use to the union. Of course, the republic cannot consent to a limitation on its rights. I shall repeat: We are proposing that the union conclude an agreement on mutual deliveries, what we may deliver to the union fund and what we wish to receive in return from the union under mutually satisfactory conditions. Unfortunately, we have not yet managed to achieve this.

[Correspondent] Which branches are provided with everything necessary for the coming year, can you give examples?

[Sikkal] For today, I can say that the requirements of our agriculture are for the most part covered. I have in mind combined feed, gasoline, and equipment. There are disputes over the volumes of the deliveries. But in any event they will be balanced and compensated among themselves. In principle, the issue has been resolved. And our light industry will for the most part also be provided with raw stuffs and materials. But as for fuel, chemicals, motor vehicles, here the issue has not finally been decided. However, I think that our recently-concluded treaty with the Ukraine, and the economic treaty with Russia, which I hope will soon be reached, will all help us avoid a crisis in the branches cited. Many enterprises located within the territory of these two largest republics are interested in deliveries from Estonia. In return, we will receive what our economy needs.

[Correspondent] But here is a concrete proposal that I recently heard at the Pyarnu construction materials plant: To set the state order at 60-70 percent of the plant production in order to supply it with raw materials through the Ministry of Materials Resources, and the remainder, through direct economic contracts.

[Sikkal] In the government we made a decision on the introduction of state order of the republic for the types of products most important to the population, as well as for products which go toward intergovernmental agreements. And such a state order may not exceed 80 percent of the production volume of the given enterprise, unless the enterprise itself agrees to more. And 20 percent goes toward direct economic relations. Obviously, such an order will respond to the interests of those in Pyarnu. Within the state order, we will create an interrepublic exchange fund for an amount of approximately R250 million. Someone who makes his contribution to the fund may use it as well.

[Correspondent] From your viewpoint, which supply problem is the worst one in the country today?

[Sikkal] I can answer that quite simply. Two mutually exclusive supply systems are functioning parallelly in the country today. One, of which I have already spoken, is the rigidly centralized system that stipulates the priorities of a number of branches. And at the same time, supposedly a market founded upon natural exchange is functioning. A great muddle. The market, if it exists, must encompass all the branches, or there isn't one at all. As a result, not one of the branches of the national economy is 100 percent covered by resources for 1991, not one, even though I must say that the republic's material-technical supply is about on the same level as that of neighboring regions, Latvia, Lithuania, Lenin-grad Oblast and Pskov Oblast. No worse, and in some ways, even better.

[Correspondent] The opinion has formed among a number of production workers that now that the republic has declared its sovereignty, the supply of resources from the union immediately worsened. So to say, they're determined to secede, so we won't give it to them. Is this actually the case?

[Sikkal] We are almost on the same political level with Russia. And the RSFSR has declared its sovereignty, the supremacy of its laws of the republic over the all-union laws. Nor is Russia in a hurry to join in the union treaty. Yet somehow the center does not regard Russia the same way it does little Estonia, because it understands that without Russia, any sort of union of republics is impossible. So, it cannot be ruled out that our declaration of sovereignty exacerbated interrelations with the center, but not with other republics. For the republics are the actual producers, not the abstract center, which only distributes something on paper.

[Correspondent] A hard question: the republic's gasoline supply.

[Sikkal] I wouldn't call it such a hard one. We don't have enough 93 octane gasoline, but there is 76 octane. True, contracts for the delivery of gasoline and diesel fuel for the coming year have not been concluded. But the issue will be resolved when the oil people conclude the contracts with the petroleum refiners; that must happen by 15 December. So we view the fuel problem optimistically.

[Correspondent] But what about municipal transportation, buses, streetcars, trolley buses? Up until now, we had gotten them from the former GDR, Czechoslovakia, and Hungary. Now all that can only be done for hard currency.

[Sikkal] Yes, absolutely right. Starting with 1991, reckonings are to be done exclusively for hard currency, a common system for the entire union; it cannot be said that someone is discriminating against us here. And we will have to seek out additional resources for export in order to purchase next year 5.5 million hard currency rubles' worth of spare parts for our existing means of transportation. But renewing the fleet will require another R14-15 million annually. And this question must be resolved at the root if we want to obtain full economic independence, the right to trade in both the East and the West. In the next few days, a routine consultative meeting on economic issues will take place in Tallinn, with the participation of the countries of Eastern Europe...

[Correspondent] And will we be able to sell them something?

[Sikkal] Without a doubt. For example, Hungary is very interested in our cement. So it isn't a hopeless cause.

[Correspondent] What would you like to add to what you have already said?

[Sikkal] Perhaps certain figures are lacking. We have concluded contracts to deliver products worth R1.4 billion to other regions in the coming year. And by contracts, the enterprises of other regions will supply us with products worth R470 million.

[Correspondent] But surely the exchange of products must be equivalent.

[Sikkal] Not quite so. From a certain quantity of raw materials, products worth a much greater amount can be produced. Incidentally, the conclusion of contracts continues. And I want to display the discipline of Estonian enterprises with the figures cited.

#### **Kirghiz Program for Economic Stabilization, Market Economy**

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in Russian 4 Dec 90 pp 2-4

[Text of program adopted by 2nd Session of the Kirghiz SSR Supreme Soviet: "Program To Stabilize the Economy"]



[Text] The present centralized administrative-command system of management has played its historical role, in a relatively short period of time fulfilling the tasks of industrializing the republic and developing its natural resources, raising the employment rate, and on that basis raising the population's standard of living. However, now that the sources of extensive development have been exhausted, the need to achieve a new quality of economic growth based on the intensive type of social reproduction has revealed the incompatibility of the established system of management with the new basic principles and rapidly changing conditions of economic activity. In these conditions, the measures implemented to intensify social production on the whole, combined with the correctly chosen directions of economic transformations in the period 1986-1990, still have not produced the desired result. Phenomena of stagnation of the economy manifested in the declining rate and absolute volumes of economic growth, the increased imbalance between production and consumption, and the breakdown in the monetary and financial-credit systems which produce inflationary processes began to increase. All this predetermined the rise in the cost of living and the decline in the population's level of prosperity and increased society's sociopolitical instability.

Many causes of the crisis phenomena result from the inefficient mechanism of economic activity. Preserving the functions of the central economic and sectorial management links virtually unchanged in combination with attempting to begin radical economic reform starting at the enterprise level had a disorganizing effect on the entire reproduction process. The models of economic activity introduced, which were oriented to maximizing gross incomes, under monopolism led to even greater diktat by the producers, unjustifiably higher prices, a sharp fall in the motivation for highly productive labor, and serious deformation of economic—and following that the entire system of social—relations.

In this connection, the question of changing to a market economy has become extremely important. Only the formation of a qualitatively new economic system based on broad development of commodity-monetary relations is capable of achieving proportionality and balance of production and on this basis—increased public prosperity.

### 1. The Goal, Tasks, and Stages of the Transition to a Market Economy

The general features of the economic crisis in the economies of the country and the republic determine the general path to resolve it. But although the goals are the same, the path may not be completely identical for all regions, for "growing" into a market economy will occur under different conditions, with different starting points, and under the influence of different production factors.

In defining its goals, the Kirghiz SSR, as a democratic state in a Union of sovereign states, proceeds from common human values and aspires to achieve economic

and spiritual development which will provide the people with a worthy standard and conditions of living.

The main goal of the transition to a market economy is to create the necessary conditions for raising the population's standard of living and satisfying their cultural and spiritual expectations on the basis of forming a dynamically developing, regulated market economy.

In accordance with the goal posed, during the transitional period, which will take at least five-six years, we will face fulfilling the following primary tasks during the first 1.5-2 years:

—ensuring equal development of different forms of ownership and complete economic freedom and accountability of producers; normalizing finances and monetary turnover, carrying out perestroika of credit policy, reforming the banking business, denationalizing and privatizing property in stages, demonopolizing the economy, gradually changing to free price-setting based on supply and demand with state regulation of its most important parameters; determining and realizing a new structural policy; developing and creating a new system of management and an adequate market; and introducing an efficient mechanism of social protection and establishing the appropriate guarantees. Essentially this means creating a fundamentally new socioeconomic model of development of the republic. The economy must be depoliticized, socially oriented, and democratically managed.

The republic's transition to a market economy cannot be considered in isolation from its economic and political sovereignty exercised within the framework of the renewed federation.

The program is based on unconditional recognition of the integrity of the Union of Soviet Socialist Republics as a federation and at the same time the recognition of the state sovereignty and equality of the Union republics.

The Kirghiz SSR is incorporated into the Union with other republics on the basis of a treaty which defines the mutual obligations of the parties, the powers delegated to the Union, and the mechanism to protect the republic's rights and interests. The Declaration on the State Sovereignty of the Kirghiz SSR is a prerequisite for concluding the Union Treaty and the political and economic guarantee of this protection.

In order to create an all-Union market, the republic delegates to Union management organs the powers to carry on a coordinated credit-monetary and currency policy; to develop and introduce uniform customs regulations; on the all-Union scale to regulate prices for the key types of raw materials, output, and goods and services; to develop a strategy of foreign economic policy and defense; to ensure the Union's state security and carry out the struggle against organized crime; and to develop and implement measures of all-Union significance to realize policy in the sphere of social protection of citizens and to realize large-scale ecological programs.

The program defines the primary organizational-legal measures to change to market relations for the near future—the remaining months of 1990, the year 1991, and the first half of 1992. They will be refined and adjusted in the process of further work and as they are realized in practice.

For historical and a number of objective and subjective reasons, the republic's degree of readiness for changing to a market economy is not high enough. Consequently, a strict schedule for the transition with precisely set time periods for carrying out the measures outlined and strict control over their fulfillment are needed. Taking into consideration the republic's unique features, the count should start from 1 December 1990 and a program should be adopted for the initial period of transition, figured until mid-1992.

Of course, we certainly cannot assert today that in 1992 a market economy will begin to function fully in the republic. Its development is a gradual process and as events pick up it should be achieved naturally. But in the remaining months of 1990 and in 1991, all the necessary economic, organizational, normative-contract, financial-credit, social, and legal mechanisms for the operation of market relations should be worked out and put into operation.

Based on that, the initial period of transition to a market may theoretically be divided into two stages.

The **first stage** is the stage of legal and organizational-managerial support and implementation of emergency measures to stabilize the economy (until the end of the third quarter of 1991). The basic legislative acts which fix the most important principles of the economic reform that is underway must be adopted and primary measures to normalize finances and monetary turnover, reform the banking and credit system, normalize the consumer market, transform state property, form market institutions, and reorganize the system of management of the economy must be realized.

The **second stage** is the stage of formation of market relations (the fourth quarter of 1991 through the first six months of 1992 and thereafter).

During that period, on the basis of further normalization of the economy and finances, active shaping of the competitive environment will begin; it will be based on denationalization and privatization of property, demonopolization of social production, development of entrepreneurship, formation of the market infrastructure, and transition to liberalized prices with due regard for the established socioeconomic situation.

The foundation of this work should be laid in the first stage of the transition. The center of gravity in this period coincides with implementing measures to stabilize the consumer market by maintaining established economic ties and material flows and normalizing financial-monetary turnover.

For this purpose, analytical work should be done in November-December 1990 to evaluate the economic vitality of enterprises and the feasibility of their operation under the preferred form of ownership which has been determined. Laws should be adopted on denationalization and privatization of property, joint-stock companies, and entrepreneurial activity.

Decisive measures must be taken to reduce the state budget deficit in order to normalize finances and monetary turnover and the credit-banking system. A thorough review and revision of all expenditure subheadings of republic and local budgets is needed, and emergency measures must be taken to reduce expenditures in the fourth quarter 1990, while rigorous economies should be adopted with the 1991 budget.

The Kirghiz State Bank should be founded no later than November 1990. A new system of taxation will be introduced and aggregate monetary turnover will be regulated starting on 1 January 1991.

Conditions should be created for the effective operation of various forms of ownership and economic activity and formation of a multistructured economy of the agroindustrial complex before spring 1991. Land reform must begin. Land use must be reregistered and a reserve land fund of local soviets must be created to allot lands for the peasant, rental, and cooperative farms being created, and that includes by confiscating land which is being used irrationally from kolkhozes and sovkhoses. Share participation of kolkhoz members and sovkhos workers in accumulated property must be calculated and part of the income distributed according to those calculations, and if those people leave the farm—they must be paid their share.

Before the end of 1990, the structure of management of the republic's economy must be revised and there must be a clear delineation of powers between the legislative and executive in terms of levels of management of the economy (between the local soviets and the oblast, city, and rayon ispolkoms, and between the republic Supreme Soviet and the republic Council of Ministers). In accordance with the new structure of management, the management apparatus must be reduced. Organs which are directly responsible for realizing economic reform must be set up: the Kirghiz SSR Council of Ministers Commission on Economic Reform, and the Committee on Antimonopoly Policy and Support of Entrepreneurship. The process of eliminating outdated command-administrative structures must go on concurrently.

Work must be done to create a system of social support for the population and to form an employment office as well as statistical monitoring of price dynamics. Indexing of personal income should be introduced along with price-setting reform. During the transitional period, republic and local organs of power may resort to freezing prices for goods in mass demand and introduce controlled distribution of certain goods with compensation for losses from the appropriate budget.

Starting with the second half of 1991, a new system of economic ties based on market relations should be set up. Antimonopoly policy will be actively carried out and equal conditions will be created for competition among enterprises of different forms of ownership. Because of the increasing scale of worker releases and development of the system of public work, the work of employment offices which regulate the process of formation of the labor market is being stepped up.

The financial market will also be developed and taxes on income from securities and from transactions with them are being introduced. The housing market is being sharply expanded. By the end of the transitional period and with the creation of the necessary market environment, taxes on profits are to be reduced in order to vitalize business activity and reduce the level of interest rates to increase the amount of investments. Structural perestroika of the economy will be carried out on the basis of market mechanisms, and that includes offering mutually beneficial conditions to attract foreign investments, technologies, and management know-how.

## 2. Measures To Stabilize the Economy

Increasing negative phenomena in the economy, the commodity-monetary imbalance, the breakdown of finances, rising inflationary processes, and the declining production growth rate make it necessary to carry out a set of urgent measures to stabilize the economic situation in the republic.

**Normalization of Finances and Credit and Monetary Turnover.** First of all the deficit in the republic's state budget must be significantly reduced by seriously reviewing all income and expenditure subheadings beginning in the fourth quarter of 1990.

For these purposes:

- cut off appropriations unused as of 1 October 1990 for certain budget subheadings and stop financing for objects where construction has not begun. Review all expenditure subheadings of the republic and local budgets in order to reduce expenditures in the fourth quarter. Finance expenditures as incomes are found;

- abolish all contemplated investment programs which do not provide an effect in less than three-five years;

- stop paying subsidies to enterprises and organizations, other than a limited group authorized by the republic's Government, starting on 1 January 1991. Take measures to transform planned-loss farms and privatize them first of all;

- transfer to the republic's budget the remainders of all centralized funds of republic ministries and departments on 1 January 1991; reduce expenditures to maintain organs of power and management to the minimum; analyze expenditures of all budget organizations and

determine the efficiency of their operation and the opportunity to reduce expenditures for unprotected subheadings.

Reducing these and other expenditures will make it possible to reduce the budget deficit. In general a ceiling on possible deficit in the republic budget must be set in legislation. Direct loans by Gosbank for budget expenditures should be prohibited.

All state specialized banks are being transformed into joint-stock commercial banks before the end of 1990.

In order to restore the consumer market, the population's surplus money must be involved and stocks of consumer goods must be increased. For these purposes the following is proposed:

- a) carry out a set of measures to increase enterprises' incentive to increase production of goods, using tax and credit benefits and aid to enterprises in setting up or expanding production of goods and services.

In accordance with the Ukase of the USSR President for the fourth quarter of 1990 and 1991, established economic ties are to be preserved and contract obligations fulfilled. When necessary the Kirghiz SSR Government may introduce a special regimen of work in vitally important sectors of the economy.

The market infrastructure is being formed at an accelerated rate so that by late 1991 it can assume the substantial burden of regulating commodity flows.

Parallel to making an inventory of state property, financial assets, and all types of reserves, the process to sell this property into the ownership of the republic's citizens is getting under way: objects of incomplete construction, uninstalled equipment and construction materials, non-disposable items, production by-products, and some state passenger cars and trucks, other than general use autotransport, are being sold through trade enterprises and auctions.

Work is starting to transform a number of state enterprises of various sectors into joint-stock companies before the end of the year, to transfer or sell at a symbolic price certain categories of housing, to put up parcels of land for rent, and to put up for rent or sale stores, cafeterias, repair shops, and other small enterprises.

## 3. Structural and Investment Policy

Structural and investment policy of the transitional period should be based on the need to achieve a balance in the republic's economic complex and increase marketability of production, which guarantees a stable economic position given the changing conditions of the all-Union market.

The main tasks of the structural policy in the transitional period are: redistribution of resources to benefit the



consumer sector of the economy, qualitative renewal of technologies, and immediate involvement in the system of world economic ties.

Structural policy should take into account the experience of the new industrial countries, the degree of receptivity of sectors to the market, and the appropriate conditions of development.

Import substitution and "finish" sectors should be developed by creating production facilities to produce final output. Priorities will be given to types of production which ensure the most rapid turnover of capital invested, deep processing of existing types of agricultural raw materials and mineral-raw material resources, and production of labor- and science-intensive consumer goods.

The future of the republic's economy lies in becoming a mighty complex to produce high-technology consumer goods, having highly developed agriculture with an appropriate processing base, and having a major recreation and tourist industry. Foreign capital must be attracted as extensively as possible.

But the accelerated development of these sectors and attraction of external investors (both from other republics and from abroad) are impossible without the existence of developed systems of transport, highways, communications lines and facilities, and others. Therefore, infrastructure sectors should also be included in the priority sectors.

In order to carry out these structural changes in the economy and modernize the republic's economy as rapidly as possible, the foreign economic factor must be used extensively through the creation of a stable and rising export potential.

The time and speed of the structural changes will also be determined by the "survival rate" of republic enterprises in a market economy and the period required to form the intensive, resource-saving type of regional reproduction—the most efficient in present conditions.

In the next 1.5 years, resources which are liberated as a result of structural changes and are not being presently used must be drawn into production.

By the end of the transitional period (five-six years), formation of the market infrastructure should be complete and we should have an economic structure which is balanced in its main proportions and will then support the transition to a science-intensive and ecologically-safe type of economic growth.

The coming 1.5 years are the decisive ones in realizing future structural policy. In that time, in addition to creating new production facilities to produce consumer goods, we should ensure the formation of a competitive assortment of output at the republic's existing enterprises, retool inefficient production facilities, step up use

of liberated resources, and direct investments to developing the production of goods and the international tourist industry.

In order to reduce production capital investments, a number of administrative measures must be taken:

1. Inventory must be taken of the production objects under construction before the end of the first quarter of 1991 in order to determine their efficiency based on the criteria of social orientation and the technical level and normative times of construction. According to the results of the inventory, all objects which will not provide output in the next three-four years, other than those intended for production of consumer goods, must be closed down; and at the same time we must start selling objects of incomplete construction, uninstalled equipment, and material reserves, including to foreign investors.

2. Starting 1 January 1991, demand for investment resources must be reduced by increasing the interest rate for credit, taking into account the change to contract prices for construction work. Tax and credit benefits should be offered to nonstate investors as well as to the contracting organizations themselves when objects of the sociocultural sphere are being built.

#### 4. Measures To Change to a Market

**Denationalization and privatization.** Denationalization of the economy, which is understood as taking away the state's function of direct economic activity, and privatization, which means a change of owners through sale or transfer of state property under various conditions to economic subjects—labor collectives, cooperatives, foreign firms, and private persons, play an important part in ensuring competition among producers and equal development of all forms of ownership.

Denationalization and privatization should be well thought out and not rushed; they encompass first of all small, unprofitable enterprises of industry, the services sphere, and trade, part of the agrarian sector, the housing fund, and housing construction.

The selection of the form and methods of denationalization (from joint-stock arrangements to privatization) involves the sociopolitical situation in the country and in the republic, the population's way of life and national traditions, and the degree of psychological readiness for new forms of economic activity.

The shortage of cadres qualified and trained to adopt and carry out plans and later set up highly efficient work, the level of intellectual preparedness of worker cadres, the lack of savings among most of the republic's population, and the low level of entrepreneurial habits, especially in the countryside and in small cities and settlements, and other things must be taken into account.

The main task of the initial stage is to mold a program of denationalization and privatization and adopt a package

of appropriate laws. Formulation of recommended directions for breaking up industry and antimonopoly policy in the sphere of trade and services must be completed and the principles for supporting competition must be formulated before the end of 1990. In 1991 formation of independent cost-accounting audit firms to help put in order the economic-financial activity of enterprises should be developed.

When property is being divided into Union, republic, and communal property, all enterprises and organizations located on the republic's territory are as a rule to be considered republic property. Management of the enterprises of such sectors as railway transport, gas lines, communications, and power engineering is carried out jointly with the Union on the basis of new contract agreements. Before 1 January 1991 the status of these enterprises should be confirmed and they should conclude an agreement with republic and local organs of power to confirm their right to use resources (land or water) according to the actual state of affairs on this date.

Denationalization should be carried out under the guidance of the **republic Committee on State Property Management**, which should be created no later than November 1990, and the local organs of power.

The local organs (oblast, city, and rayon ispolkoms) will carry out denationalization and privatization in such spheres as trade, domestic services to the population, public catering, agriculture, local and municipal services, and small industrial enterprises.

In December 1990-January 1991, the republic Committee on State Property Management and the local soviets will publish lists of enterprises (in accordance with the division of powers) recommended for denationalization. Labor collectives of these enterprises may suggest their own forms of denationalization (rental, buy-out into collective ownership, transformation into cooperatives, and the like), which are examined by the appropriate organs and in certain cases, the republic Council of Ministers.

The speed and forms of privatization of enterprises in different sectors and spheres will be determined by local organs.

The main form of denationalization of these enterprises should be sale at auction to private persons or collectives with payment over a period of time and subsequent creation, on their basis, of private enterprises or different types of partnerships. Changing to rental arrangements with subsequent buy-out of these enterprises by either labor collectives or individual persons is also possible.

The denationalization of large state enterprises is most effectively carried out by creating independent **joint-stock companies**.

In order to perform this task, the appropriate work must be done to evaluate the property of the enterprises

undergoing transformation, analyze the condition of the market, prepare the company by-laws and its structure, determine the market price of stock and the sales system, and the like.

In order to prevent abuses during denationalization, strict control is needed on the part of state organs, local soviets, and the public. In buying property and stock, priority must be given to the labor collective and its members and various forms of aid must be rendered, above all through the capital of the enterprise, sale in installments, sale at a discount, granting of credit, and others.

Parallel with privatization and denationalization, state enterprises should be transformed by transferring them to rental arrangements, or by using them as a base for joint production facilities, either with internal republic enterprises or private persons, or with the participation of Union or foreign capital.

In **light industry**, it would be advisable to transform large base enterprises into joint-stock companies, allowing the republic government to retain controlling interest in the stock initially and granting individual enterprises the right to buy them out into collective or cooperative ownership. It is suggested that a number of branches be transformed into independent small enterprises by selling or transferring them to the ownership of labor collectives or private persons.

In **local industry**, taking into account that major capital investments have been aimed at developing or technically reequipping a number of enterprises and associations, labor collectives along with local soviets must draw up the conditions for buying out state property into collective ownership. Other enterprises which have been in operation 20-30 years or more are to be transferred to collective or cooperative ownership at a minimal buy-out price.

As for the **Ministry of Trade system**, about 600 small enterprises of trade and public catering should be offered for primary sale; they make up about 20 percent of all enterprises of the sector. Undoubtedly, all this work should be carried out in stages, taking account of accumulated experience. Given the successful organization of this process by the end of 1991, up to 20 percent of the enterprises of trade can be withdrawn from state ownership and by the end of 1992 their number can be significantly increased. Only the trade network should remain in state hands; it will be used for controlled distribution of certain basic necessities and the capital of large trade enterprises, which can operate in the "merchant shop" mode by renting commercial space to users, among them production enterprises, cooperatives, and foreign firms.

At the same time, wholesale enterprises which have bases and warehouses are to be denationalized. Measures against their monopolizing wholesale turnover should be envisioned.

In market economy conditions, the role of the **consumer cooperative system** as a public economic system will increase significantly. It should be not a link in the distribution system, as it is now, but a real alliance of shareholder cooperatives to which market relations are organically inherent. Privatization in this system is being carried out on the basis of laws on property and cooperation and the consumer cooperative charter.

All **domestic services** enterprises (service and repair shops, laundries, and others) are to be transferred to the management of the local soviets and are to be privatized through sale at auction with payment over a period of time to collectives or private persons or transferred to rental arrangements with subsequent buy-out. Joint-stock companies that rent production space can be created on the basis of relatively large or average-sized enterprises.

As for **machine-building enterprises**, transition to rental arrangements with the subsequent creation of joint-stock companies or buy-out of the property are intended as the main forms of transformation. The appropriate decisions will be adopted on the basis of thorough study of the alternatives for transforming enterprises by the Committee on Management of State Property with due regard for the opinion of labor collectives.

In order to create a new economic mechanism in **construction**, the following things must be done: Demonopolization, denationalization, and privatization of the construction complex must be carried out with due regard for the specific conditions of the sector. The foundations for a contract market must be laid in order to convert contract money into the main instrument for regulating the investment process. The process of savings and realization of investment resources must be decentralized. Fundamental cadre changes must be carried out in construction by increasing motivation for highly productive labor on the basis of wage reform and development of competition.

The command-administrative system must be replaced by voluntarily created associations, unions, or concerns which perform commercial-intermediary or service functions which promote the development of enterprise self-sufficiency.

Taking into account the peculiarities of the transitional period to the market, it seems possible to preserve state control over the activities of major enterprises of the construction industry and the construction materials industry. Here the most acceptable form is creation of joint-stock companies with sale of stock not only to the workers of the enterprises but also to broad strata of the population, with the state retaining controlling interest in the stock. All other construction enterprises and organizations must be granted the freedom to choose forms of ownership and economic activity. Construction organizations should be extraterritorial and insulated from the administrative interference of local authorities.

It would be advisable to take away directive rights from head planning institutes and not allow creation of new monopoly organizational-economic structures controlling a substantial part of capital investments or the contract. Encourage the creation of cooperative and private enterprises on the basis of breaking up above all planned-loss construction organizations. Orders are distributed on a competitive basis.

Given the economic independence and accountability of construction organizations under the market, wages should be strictly tied to final results (delivery of finished objects).

As for the **Ministry of Housing and Municipal Services** system, housing service enterprises, hotels, bathhouses, laundries, ritual service organizations, landscaping, clean-up, information services, and others are to be transferred to the management of the local soviets, with subsequent privatization. Enterprises which operate heat supply, sewage, and water supply systems should be transformed into state joint-stock companies.

The main provisions of the republic's housing fund program should be formulated and ratified in November and December 1990.

Realization of the program of **antimonopoly** measures should begin from the first steps of implementation of the program. First of all, a republic antimonopoly committee should be set up in November 1990; this committee will follow a policy to fight against monopolism and before the end of the year will adopt a republic Law "On Curtailing Monopolistic Activity and Developing Competition."

The government should monitor strictly to see that new organizational structures—concerns, intersectorial associations, and economic associations—are not formed as monopolies.

Before the end of 1990, it is essential to determine the list of functions whose centralization is prohibited in any form in associations of enterprises (this should be reflected in antimonopoly legislation), and on that basis in the first quarter of 1991 review all by-laws and statutes on the activities of all organizational associations and enterprises (associations [obedineniye and assotsiatsiya], concerns, or consortiums), and if they are not in keeping with the demands of these laws, these associations must be forced to dissolve.

One of the most effective ways to overcome monopolization in the basic link involves developing parallel production facilities and small enterprises. A legislative act must be adopted before the end of the year on encouraging and creating small enterprises.

In order to develop entrepreneurship, the republic Government's resolution "On Development of Small Enterprises" is to be adopted in November 1990. This resolution envisions the following:

—directing priority development to small enterprises (domestic services, construction materials, processing of agricultural raw materials for food, bakeries, processing of meat and milk, craft items, architectural-urban planning design, construction, and trade-intermediary and innovational activity);

—a list of particular types of activity which are prohibited for small enterprises;

—tax and credit benefits for small enterprises;

—creation of a Fund for the Support and Development of Small Enterprises.

### 5. The Financial-Credit System

In the Kirghiz SSR a bilevel **banking system** is being set up where the top level is the Kirghiz State Bank and the bottom—the commercial, cooperative, joint-stock, innovational, and other banks. Republic and oblast banks of Promstroybank [Construction Industry Bank], Agroprombank [Agroindustrial Bank], and Zhilsotsbank [Housing-Social Bank] should be transformed into commercial banks.

The Kirghiz State Bank should become an independent institution which plays the role of main regulator of credit-monetary relations in the republic. As economic independence becomes deeper, it becomes the emissions center and reserve system.

Networks of banks may be created on the basis of capital of USSR citizens and foreign states with the authorization of the Kirghiz SSR Government.

In order to really protect the interests of the population and ensure the stability of credit-monetary turnover and avoid a high rate of growth in inflation, it should be established that the Kirghiz State Bank adopts its decisions independent of the process of financial-budget policy, and its resources should not be the source of automatic coverage of credit and budget deficits.

The interrelations between Gosbank and other banks of the republic are constructed on the horizontal by agreement. Commercial banks are consigned the status of independent banks, enjoy the corresponding rights, and are independent in carrying out credit policy and determining interest rates for using loans; this is contingent upon the supply and demand of credit resources, the financial position of the borrower, and the prospects and priority of the project, but the rate may be no higher than the official interest rate set by Kirghiz State Bank.

The Savings Bank will be an important link in the credit system; its task is to maximally attract the population's ready cash into various forms of savings by following a flexible policy of differentiating interest rates with due regard for the established rate of inflation. Savings banks of all levels are withdrawn from the jurisdiction of Gosbank, increases in deposits cease to be automatically confiscated, and these banks develop as normal commercial banks. As of 1 November, all increases in deposits of

the Savings Bank are distributed under commercial conditions, and this largely compensates for the higher interest rates.

Attraction of the population's temporarily free money is not a monopoly right of only the Savings Bank.

The activities of banks of all levels are coordinated by the republic's Council of Managing Banks, which works out a general position on monetary-credit policy and regulates interactions of banks. If necessary an association or Union of Commercial Banks of the Kirghiz SSR may be set up.

State regulation of banks involves overseeing their activities from the standpoint of protecting the interests of clients.

The formation of market relations presupposes the creation of a new system of control over the activities of banks through the organization of independent cost-accounting auditing offices.

The Kirghiz SSR Vneshekonombank [Foreign Economic Bank] serves export-import operations of enterprises and organizations which have foreign economic ties with other countries. It will help eliminate the artificial monopoly on hard currency transactions and help attract the population's hard currency savings.

The Gosstrakh [State Insurance] system is to be reformed in 1991. The Gosstrakh organs are to be transformed into commercial establishments on a joint-stock basis and the creation of new joint-stock companies, including those with foreign participation, is to be allowed.

An independent **credit system** is being created in the republic which has an effective impact on the economy and functions under conditions of diverse forms of ownership. Credit resources being formed on the republic's territory are the property of the Kirghiz SSR and are used in the interests of developing the economy and the well-being of its population. A new system of interrelations is being established to regulate credit resources between the USSR and the Kirghiz SSR on a treaty basis.

In order to improve monetary turnover and the granting of credit, starting in 1991 credit and cash planning is to be changed to regulation of the volume of aggregate monetary mass.

Importance is attached to interest rate policy. Beginning in November 1990, a new structure of interests rates is to be introduced. As market relations develop in the future, the level of interest rates will be regulated with due regard for the dynamics of supply and demand.

For priority economic development programs, the republic Government has the right to set preferential interest rates for the use of bank credits at the expense of the state budget.

The Kirghiz SSR is creating its own **budget and tax system** and is responsible for balancing its own budget. At the same time, however, in the new conditions of economic interrelations and the formation of an all-Union market, the Union and the republics should reach agreement on general principles of budget and tax policy.

In 1991 the republic uses all-Union tax legislation which envisions that 55 percent of the profits will remain with the enterprise, 22 percent—is to be deducted to the Union, and 23 percent—to the republic. At the same time, however, the federal tax rates should be differentiated. In order to equalize start-up conditions and maintain a guaranteed minimum of social support, subventions from the Union budget are to be allocated.

In connection with the changed functions of the soviets of people's deputies, the process of formation of local budgets is fundamentally changed. The soviets are given great independence when shaping budgets on the basis of fixed incomes and precise delimitation of expenditures incurred in each link of the budget system.

The income from taxation of the profits of local enterprises and organizations which are communal property goes entirely to the local budget. Moreover, deductions are made from the territorial tax levied on profits of state enterprises and organizations of Union and republic subordination, joint-stock companies, and rental and private enterprises in amounts authorized by the Kirghiz SSR Supreme Soviet and within the tax rate ceilings set for the republic. In order to balance local budgets, part of the turnover tax and natural resource user fees are to be deducted to them according to a norm set by the republic's Supreme Soviet.

When local soviets do not have enough of their own resources, expenditures related to equalizing the level of social support may be financed through subventions from higher budgets.

Local soviets of people's deputies independently determine the directions for using budget capital and the amounts and sequence of incurring expenditures and have the right to increase the norms of expenditures for certain measures within the limits of existing capital.

Higher-ranking organs are not allowed to intervene in the process of formulating, ratifying, or executing local budgets. Incomes which are additionally received (or savings in expenditures) remain completely at their disposal; at the same time, however, losses in incomes (other than those which are the result of decisions of the republic's Government or higher-ranking soviets) are not compensated from higher budgets.

The **financial market** should be formed concurrently with the commodity market and the labor market; this is necessary to normalize the structure of interest rates, assess the financial condition of borrowers, and link up the capital of the population and enterprises.

Work to form the financial market should begin with the adoption of the appropriate legal acts on joint-stock companies and securities and stock exchanges.

The foundation of the financial market will be the credit market, which includes relations between banks, enterprises, and the population as well as interbank and commercial credit. The Kirghiz State Bank will supervise the credit market within the framework of the general policy of the country's Reserve System.

A securities market will be formed concurrently with the formation of the credit bank—for the issuance and circulation of stock, bonds, state treasury bills, savings certificates, and bills of exchange. Profitable conditions for placing capital investments should make investment in state securities more attractive for enterprises and the population.

In the future, as more securities are issued by the state, enterprises, and joint-stock companies, not only will their primary placement—sales through banks or directly by issuing bodies—have to be organized, but the opportunity to resell these securities, that is, secondary circulation, will be needed. The creation of a stock exchange and a branch network of brokerage offices which offer intermediary services for issuing, selling, or reselling securities should ensure normal operation of the securities market.

The current system of **prices** does not permit a balance between effective demand and supply and is becoming a serious obstacle to the creation of a full-fledged all-Union market.

Therefore, as the economic and financial situation is stabilized, state control over prices is to be withdrawn in stages; although existing retail prices for 100-150 particular goods and services which make up the basis of the minimum living standard [poverty level] for families will be preserved until the end of 1991. This is important to our republic, where 37 percent of the people have a per capita income of 75 rubles.

By agreement with the Union organs, state control over prices for luxury items and a broad group of nonessential foodstuffs and nonfood products (gold, precious stones, delicacies, sophisticated home appliances, high-quality furniture, and a number of import items) is eliminated.

In the future, control over retail prices will be eliminated one after another by commodity groups with due consideration for the particular situation and market conditions. As a result, by the end of 1991 the proportion of free prices should be 70-80 percent of the volume of purchases of goods and services, and in 1992 prices are to be controlled only on a narrow group of necessities (certain types of bread and meat, milk, vegetable oil, sugar, the main types of medicines, school books, transport charges, and charges for particular types of municipal services).



Work to liberalize prices in order to avoid a high rate of inflation must certainly be accompanied by a strict financial-credit policy.

All questions of price-setting, other than those delegated to a Union organ of management—setting prices for the basic primary resources (oil and petroleum products, gas, and certain types of ferrous and nonferrous metals) and a limited list of necessities (bread, meat, milk, sugar, vegetable oil, and the like)—are transferred to the republics; that will make it possible to carry out state regulation of the basic types of prices with due regard for the financial situation in local areas, when necessary freeze prices for mass demand goods if they rise excessively, and formulate and introduce indexing of personal income.

In the transitional period, subsidies on prices for the basic foodstuffs are to be preserved, but the procedure for paying them (through stores and at the counter) is to be fundamentally changed.

State regulation of prices is also retained for transport charges, charges for certain types of municipal services, and for output of the monopoly producers.

Wholesale contract prices are to be used for other types of output. When setting their level for 1991, plans for wholesale prices and charges as well as coefficients to them formulated by the USSR State Committee for Prices are to be applied as the basis.

In order to prevent an unjustified rise in prices, a limit of profitability is to be introduced, bearing in mind that all profits received above this level are to be transferred to the Union and republic budgets in equal proportions.

Republic and local organs should include consumer goods whose prices remain unchanged and stable in the state order, and commercial organizations should acquire them at established contract prices. The difference between wholesale and retail prices is compensated with consideration of the trade surcharge by subsidies from the local budgets whose sources are the following:

- the sum of subsidies transferred from the republic budget in planned amounts;

- Additional revenue into the budget from goods sold at free prices, as well as from the turnover tax.

Liberalizing prices does not mean completely stopping all state intervention in the price-setting process. In cases where prices that were removed from control earlier rise dramatically, they can be temporarily frozen at the decision of the republic or local organs by setting a ceiling.

State regulation of prices for agricultural output is carried out within the limits of the state order and should be the main instrument for influencing their producers and for maintaining parity in incomes of the agricultural enterprises, peasant farms, and other sectors of the economy. By the same token, an indirect influence is exerted on the level and dynamics of retail food prices.

In accordance with the policy of liberalization of prices, a general procedure is to be introduced where there is a branch network of general state control over the quality of goods, broad glasnost on deals, and information on expenditures and prices so as to prevent abuses under the market economy. This principle is also applied to interrelations between neighboring sovereign republics for the purposes of coordinating the actions of competent organs and preventing excessive discrepancies in prices.

## 6. The Market in Means of Production and Consumer Goods

In the initial period of realization of measures to maintain stabilized production, nonmarket methods of regulation based on established economic ties and the state order are to be largely retained.

In the transitional period, the state order remains the form of direct state regulation of economic ties, and sanctions for refusing to conclude delivery contracts are to be introduced.

Subsequently, the profitability of the state order for the producer is established by the following: the contract price; tax and credit benefits; and material resources within the limits of the output list which is used to place state orders in amounts set by the general contract.

Contracts to fulfill the state order should be equally beneficial for enterprises of all forms of ownership. Beginning in 1991, they are to be concluded, on the one hand, by the Kirghiz SSR State Contract Committee, which is to be created on the base of Gosplan [State Committee for Material and Technical Supply], Agrosnab [State Committee for Supply to Agriculture], the State Committee for Petroleum Products, and balance-type subdivisions of the Kirghiz SSR Gosplan and in time will assume the corresponding part of the functions of the Ministry of Trade, and, on the other, by the manufacturing enterprises, wholesale intermediaries, and consumers.

Commercial wholesale enterprises will be separated from the State Contract Committee and the Ministry of Trade and will be transformed into independent intermediary organizations before mid-1991.

Using the services of independent intermediary wholesale enterprises, enterprises independently formulate portfolios of orders and production plans, distribute orders, and conclude economic contracts.

Every year, no later than October, the State Contract Committee determines the volume and make-up of state orders and the republic's requirements for mutual deliveries and prepares and concludes multilateral and bilateral interrepublic contracts.

The process of forming the market in means of production and consumer goods should be accompanied by

all-out support for the formation and development of the market infrastructure. The basic directions of this work should be the following:

1. Developing a network of commercial wholesale enterprises to trade in means of production, consumer goods, and agricultural output by transforming them into joint-stock companies and putting fixed production capital up for rent or selling it.

2. Encouraging the emergence of new trade-purchasing cooperatives and any other enterprises in this sphere.

3. Ratifying the provision on commodity exchanges. In spring 1991 forming a network of commodity exchanges for wholesale trade in various groups of goods along with raw materials for their production. Increasing the number of fairs and changing the procedure of their work.

4. Encouraging investments in the market infrastructure, including construction of bases and warehouses, commercial information networks, and spaces for exchanges and fairs.

#### 7. Foreign Economic Activity

In accordance with its sovereignty and as a subject of international law, the republic independently carries out foreign economic policy. At the same time, however, when concluding the Union Treaty the Kirghiz SSR delegates certain powers in foreign economic activity to the Union.

Given the narrow and restricted republic market, we should orient ourselves to integrating into the Central Asian and all-Union markets and the markets of the neighboring states.

It has become objectively necessary to change priorities in foreign economic activity and orient ourselves profoundly toward production, trade, and scientific-technical ties primarily with countries of Southeast Asia and Europe. Utilizing the scientific-technical potential of these countries will provide an opportunity to accelerate passage through certain stages of economic development.

The low competitiveness of the output produced in the republic and the raw material orientation of the economy require strict deadlines for transformations. Consequently, a program of foreign economic activity must be worked up and republic laws "On Foreign Investments in the Kirghiz SSR" and "On Joint Ventures" must be adopted before 1 January 1991.

For the republic to really be included in the system of world economic ties, starting on 1 January 1991 we must do the following:

—authorize activity on the republic's territory by enterprises, including joint-stock enterprises, with any

proportion of foreign capital and simplify the procedure for registering joint ventures in the republic as much as possible;

—legally guarantee the functioning of foreign capital (unlimited capital investments, repatriation of profits, insurance on capital in accordance with the legislative acts adopted);

—establish the principle of equality of all enterprises, including those with participation of foreign investors, and ensure the "interlocking" of the domestic economic mechanism and the mechanism of the world market;

—encourage the creation of representations of foreign companies and firms and commercial banks with participation of foreign capital;

—allow foreign firms to carry out operations in rubles in order to make capital investments;

—introduce tax breaks for joint ventures with foreign partners until they achieve a particular level of profitability envisioned by republic legislation or for a period of up to 2-3 years;

—set up special reduced tax rates for "high-tech" enterprises;

—simplify the procedure for specialists to go abroad and to come from abroad.

Envision the joint-stock sale or long-term lease to foreign companies of certain types of real estate and unfinished construction projects.

In this case, all enterprises and organizations located on the republic's territory, including those with participation of foreign capital, are under the jurisdiction of the Kirghiz SSR. Special monitoring for strict compliance with ecological standards should be established.

Foreign economic commercial activity should pass altogether to the level of enterprises, associations, organizations, and cooperatives. Governmental organs at all levels should be exempted from commercial activity.

State regulation of foreign economic activity must be carried out through the Kirghiz SSR State Committee for Foreign Economic Relations [GKVS]. The main functions of this Committee should be formulating and realizing the republic's foreign economic strategy, issuing licenses and setting quotas for export-import deliveries, including barter transactions, and preparing proposals on currency-financial, organizational, and other measures to develop foreign economic ties. The GKVS should also monitor direct foreign investments on the republic's territory. Special attention should be devoted to the question of training cadres for foreign economic activity, including at Kirghiz State University imeni 50-letiya SSSR.

The republic foreign trade association is transformed into a joint-stock foreign trade association (AVO) whose work should provide republic enterprises (both exporters and importers of output) with the most favorable conditions. The republic's state organs as well as banks, enterprises, cooperatives, and private persons may participate in the AVO's capital.

#### **8. The Agroindustrial Complex in Conditions of Market Relations**

A special socioeconomic program of development of the agrarian sector in market conditions is being formulated which takes into account the specific features of our republic. Market transformations in stages should be made the basis of this policy.

The economic conditions must be created for developing various forms of ownership in the countryside. The kolkhozes and sovkhoses which now exist and account for the main part of the agricultural output being produced should be guaranteed complete economic and management independence in deciding any questions involving production, daily life, or distribution of output produced. New organizational structures with a high level of independence for primary labor collectives are being formed in them on the basis of rent relations. In addition to kolkhozes and sovkhoses, rental enterprises, cooperatives, peasant produce farms, individual farms, agrofirms, and other agroindustrial formations should function under equal economic and legal conditions. The republic's private subsidiary farms, which in their socioeconomic essence are the prototype of peasant farms in the countryside, will continue to be developed.

The development of peasant, individual, and agrarian farms to a certain extent depends on the degree to which they are provided with land suitable for economic use. The inequitable distribution of land most suitable for economic use, the established way of life of the rural population and the specifics of the national mentality, the varying degrees of labor availability, the lack of adequate processing facilities at the agricultural output production sites in different regions, and other factors require an agrarian policy differentiated by zones.

Thus, in most rayons of republic subordination, Osh Oblast, and the Issyk-Kul Basin, where arable land is used intensively, the long-term life-long lease of land is the most acceptable form of economic activity. At the same time, however, preferential conditions must be created in 1990-1991 to form peasant, rental, and individual farms, above all in Torguz-Torouskiy, Alayskiy, and Sovetskiy rayons, and some farms in Dzhumgalskiy, Batkenskii, Lyaylyakskii, Chatkalskiy, and Keminskiy rayons. In November-December 1990 and the first quarter of 1991, the local soviets of people's deputies along with landowners should review and resolve the question of permitting private plots to be expanded using land being inefficiently used; later this land will be used as the base to develop small peasant farms.

An economic mechanism to encourage the settlement of underdeveloped rayons of the Naryn Zone and the Alay Valley must be created and used. To do this, purposeful measures to stimulate the migration of families must be carried out, offering them material advantages for moving and acquiring a farm. Families which set up peasant farms should be exempt from taxes and land payments for two-three years from the start of their activity. The creation of free economic zones and the development of joint ventures with attraction of capital of Union departments, Union republics, and foreign capital are to be one of the measures of intensive development of the Naryn Zone and the high-mountain rayons of Osh Oblast. Joint ventures will not only replenish the republic's food market, but will also provide an opportunity to substantially improve the production and social infrastructure of the agroindustrial complex. The specialization of agriculture in the Issyk-Kul Zone must be fundamentally changed and formed as a complex of agrarian economic units for serving the recreation and tourist industry.

The demographic situation must also be taken into account when the economic policy of the countryside is being formed in different zones of the republic. Thus, for example, in the Naryn and Talas zones, where there are respectively 13.0 hectares and 6.6 hectares of pasture land per inhabitant, all-out development of individual livestock units and rental and peasant farms would be a good idea. In Osh Oblast and the rayons of republic subordination, where this indicator is 1.4 and 1.6 hectares per inhabitant, development of different forms of ownership involving production of crop-farming output and its processing and sale should become the priority direction.

One of the complex problems of successful operation of market relations in the countryside is stopping the exodus of the rural population to the cities. To do this, a special state program envisioning centralized financing of measures to support and develop different forms of small entrepreneurship must be formulated in order to absorb excess work force and create living conditions in the countryside which are at least at the level of urban living conditions. In the first stage of this state policy for the countryside, a program to create preferential conditions for people living in rural areas should receive support. At the same time, however, one may assume that under a market economy, a certain number of urban residents will express a desire to go to rural areas to engage in entrepreneurial activities. These citizens must be given all possible aid and the most favorable and preferential conditions possible must be created for them, especially for settling underdeveloped regions.

In 1991 land reform must be carried out; during the reform all users of agricultural lands will receive anew the right to ownership or use, with definite conditions of use based on cadastre evaluation of allotted lands and payment for them. Some of the land, poorly used land first of all, should be confiscated and transferred to the

management of the local soviets as a reserve for subsequent allotting of farms which emerge—as a rule on a competitive basis.

Of course, the formation of peasant, individual, and rental farms cannot be tied only to the availability of suitable lands. Even in densely developed zones, if the land is used poorly and kolkhozes and sovkhozes function inefficiently, they should be transformed, and that includes transforming sovkhozes into kolkhozes, and denationalized and privatized. First, the local soviets of people's deputies along with the State Committee for Agriculture and the corresponding collectives must resolve the question of transforming planned-loss and low-profit farms before the end of 1991.

Pedigreed stock farms, experimental seed farms, and fruit tree nurseries which are of all-republic importance should be kept in state ownership.

The role and functions of production associations should be fundamentally changed.

In the first quarter of 1991, the by-laws and statutes of republic fishing, food, and meat and dairy industry associations, Selkhozkhimiya [Agricultural Chemicals], Selremkhoz [Rural Repair], Agrospevremmash [Special Repair of Agricultural Machines], scientific-production associations, and others must be reviewed; and in the event they do not meet the demands of antimonopoly legislation, they should be broken up or liquidated.

In order to protect the interests of production and the consumer, review the possibility of creating contemporary forms of volunteer organizations and stockholders' associations for the following: sugar industry enterprises, and enterprises which produce and process wool, tobacco and tobacco items, meat, or milk, as well as grape producers and wine-making concerns.

Measures are being implemented to demonopolize the sphere of procurement and processing of agricultural output. Small production facilities equipped with contemporary equipment located directly at the sites where agricultural output is grown will receive primary development. Processing enterprises should carry out their activity as free commodity producers who buy raw materials and sell output under market conditions. The creation of the cooperative type of wholesale-intermediary firms and offices, purchase-marketing associations, and trade-purchase enterprises are being given all possible encouragement. Large processing enterprises will be transformed later into joint-stock companies.

The procedure for forming state food and raw material resources should be changed; that is, mandatory assignments to agricultural producers (state orders) for selling output to the state should be replaced by free purchases by the state under advance contracts and one-time transactions. Purchases must be made on behalf of the

state by state or other economic organizations or enterprises authorized to do this, including consumer cooperatives, which to do so should receive state-assignments, working capital, and goods for countersale from the state. The price should be determined on a mutually beneficial basis, with the exception of output which is part of the minimal consumer budget; these prices the state will set.

The transition to this procedure may be in stages: in 1991 state orders could be set for farms which account for 80 percent of the established volume of purchases, with subsequent transition to purchases under contract conditions. Establishing quotas for exports of certain agricultural products from the republic and their processing and issuing (selling) licenses to carry out these exports may be an additional mechanism for supplying local needs. Interrepublic governmental agreements can be the basis for the licensing.

The structure of management of the agroindustrial complex should be fundamentally changed, and at the same time the entire system of state and local management should undergo perestroyka on new principles. To do this, existing managerial structures must be reorganized; the intermediary command-administrative subdivisions must be eliminated; and the activity of Goskomselkhoz [State Committee for Agriculture] must be focused on developing a strategy for balanced development of the republic's agroindustrial production, large state-wide programs to increase food resources and carry out social development of the countryside, formation of an all-Union food fund and a republic reserve of foodstuffs, and implementation of measures to accelerate scientific-technical progress in the agroindustrial complex. In light of this, the local soviets are charged with complete responsibility for supplying food to the people of their regions and will independently coordinate interrelations of the agroindustrial complex and other sectors of the economy.

## 9. The Sociocultural Sphere

In the transitional period, the policy of management of the nonproduction sphere is based on the following principles:

- preservation, in the first years, of at least the present level of state support, with a subsequent increase in state support of the sectors of this sphere. Exploration of additional sources of financing through the capital of enterprises, social organizations, the local budget, and the population;

- introduction of new methods of economic activity and management which ensure economic independence and effective use of resources allocated;

- introduction of commercial forms of activity in the social sphere without impairment of the population's basic social guarantees;

—formulation of long-range programs of development for training and retraining cadres and development of culture and art and medical services, and others.

In order to improve **health care** as quickly as possible, attract additional capital for the sector's needs, and increase public control over the activity of treatment and prevention institutions, fundamental perestroika of the mechanisms and sources of their financing is underway.

In the first stage of the transitional period, along with the existing system of medical care for the population, paid cost-accounting medical services on a contract basis with enterprises, organizations, institutions, and private citizens will gradually be developed.

With the development of market relations, insured medicine is organized; under it all citizens of the republic will have mandatory medical insurance, regardless of their income level. It is to be financed through appropriations from the budget and insurance payments by enterprises, organizations, and individual citizens. In this case the capital of the state and enterprises should provide a social guarantee of the availability and quality of medical care, while personal medical insurance bought voluntarily will apply to higher-quality services.

Republic and territorial health care funds are being created. The republic health care fund is formed using republic budget capital which is intended to finance republic target programs, train cadres, carry out construction, and carry out sanitary-preventive and other measures in the republic. Territorial funds (oblast, rayon, and city) are formed using local budget capital and deductions of cost-accounting enterprises, organizations, cooperatives, joint-stock companies, and private farms and are used to treat their workers and members of their families. Special independent insurance organizations which work on cost-accounting principles will be the organizational basis and holder of the territorial funds.

In addition to state institutions, commercial institutions like "folk medicine" and sports-health centers are being created. The organization of a private doctor's practice is permitted under the strict control of the Ministry of Health Care and the local soviets. The population is given the right to freely choose a doctor and medical establishments.

**Public education** institutions fulfill the state order for indoctrination and instruction of children and training and retraining of cadres and are financed for the most part through state budget capital.

Public education is financed on the basis of scientifically substantiated norms, with due regard for increased expenditures to educate one pupil in school, indoctrinate a child in a preschool institution, and train specialists.

In addition to budget financing, the capital of enterprises, social organizations, cooperatives, funds, or the

population may be attracted for the needs of public education, and is not taxable.

Existing higher and secondary specialized educational institutions are transformed into a new type with a multilevel differentiated form of instruction on a competitive basis which envisions training of specialists using the worldwide system of advanced studies.

Special attention will be devoted to problems of preschool institutions and educational institutions in the countryside and to strengthening their material-technical base, supplying them with cadres, and increasing admissions to preparatory courses of VUZes [higher educational institutions].

Opportunities are opening up for creating various types of educational institutions and centers competing in the sphere of education, including those operating on a commercial, paid basis, which provide education and occupational training at a level equal to the world standard.

Enterprises, organizations, scientific institutions, and social funds may use their own and cooperative capital to set up commercial educational institutions which are independent of the state and fulfill their orders to train cadres.

Taking into account the negative consequences of the residual principle in relation to **culture and art** which led them to a state of crisis, immediate measures must be taken in the transitional period on the preservation, restoration, and development of the cultural-historical legacy and on esthetic indoctrination, and the creative quest must be encouraged in all possible ways.

The system for financing the sphere of culture and art must be fundamentally revised, without reducing budget appropriations and gradually increasing them in subsequent years; and the practice of automatically compensating for expenditures and financing the very existence of the institutions of this sphere without consideration of the nature, directions, and results of their activity must be abandoned. Capital must also be allocated to particular creative collectives on a competitive basis for fulfillment of particular programs.

In addition to capital allocated from the budget, targeted centralized and regional funds for cultural development must be set up in the republic, oblasts, cities, and rayons using the capital of enterprises, organizations, cooperatives, social organizations, and citizens. The institution of sponsorship and patronage and the creation of all funds for developing and supporting cultural activity should also be stimulated.

A long-range republic program to preserve and revive national culture and to support the work of libraries, museums, and club institutions on the proper level remains to be developed.



#### 10. The System of Social Protection of the Population. The Labor Market.

The entire system of social protection is oriented to creating conditions in the transitional period to stabilize and then raise the standard of living.

The system of social guarantees which exist in the republic and are legally reinforced by the state, above all in the areas of wage regulation (the minimum wage), social support (pensions, stipends, and grants), unpaid services from the social consumption funds, preservation of benefits involving conditions of labor and leisure, and the constitutional rights to work, to housing, to free education, and to medical care should become effectively important.

The following additional types of guarantees are to be introduced:

- the right to receive a differentiated minimum wage in accordance with the qualifications a worker has regardless of the forms of ownership;

- the right to property and income from it;

- the right to temporary unemployment benefits;

- a mechanism for indexing incomes;

- the right of the low-income groups of the population which have incomes below the minimum living standard to social support.

The particular levels and forms of social guarantees rely on legislative and normative acts and are determined by the republic's financial potential. The legally established minimum living standard calculated on the basis of a minimal consumer budget based not on physiological needs but on the need to provide the opportunity for a dignified existence is becoming the basis of this system of social protection of the population.

For the republic the minimum living standard has been defined at 100 rubles, while the minimal consumer basket includes a group of roughly 300 of the most essential food products, nonfood items, and services.

The amount of the minimum wage should be closely related to the minimum living standard, and, consequently, pensions, stipends, and grants also change as this standard rises.

In the area of wages, a minimum guaranteed wage which is mandatory for enterprises of all forms of ownership is being established starting in 1992. For the most part differences in qualifications will serve as the basis for differentiations in wage levels. Sectorial differentiation in the wage rate system is being eliminated. Enterprises receive the right to independently increase the state level of first wage category to the extent of capital earned, which automatically increases all levels of wage categories through intercategory correlations. Here centralized regulation is combined with enterprise independence, which ensures compliance with the guarantees (wage

category funds) set by the state using the capital of cost-accounting income. For workers of budget organizations, capital for labor payment is included in the annual estimate of expenditures. And, an increase in wages in nonproduction sectors should be based on the improved quality of their work. In later stages of reform, the labor payment will be established by concluding contracts between the employer and the worker.

In different regions of the republic, labor payments are differentiated in accordance with real natural-climatic and other conditions by using rayon coefficients, which are also treated as minimal guarantees.

Wage supplements for work in difficult or hazardous conditions should continue in the transitional period; bonuses, allowances, and wage supplements are not supposed to be limited in amounts, but rewards for years of service are being terminated.

Minimal wage categories and salaries are periodically reviewed depending on the dynamics of the cost of living and the rate of inflation.

Under the new conditions, the total amount of income of a particular worker other than wages also includes money paid from profits (income) of the enterprise or received from stocks or other securities. It is regulated only by the income tax and the maximum amount is not restricted.

Legally envisioned indexing of incomes introduced when retail prices for the basic consumer goods rise is included in the program for social protection of the population from the negative consequences of the market.

The specific indexing amounts are determined on the basis of the increase in the consumer price index proceeding from the assumption that all citizens, regardless of the amount of income they receive, are to be guaranteed compensation for higher prices depending on the financial situation. And, the indexing mechanism must not be allowed to deform the wage system. In addition to indexing nominal incomes, starting in 1991 indexing of personal savings is being introduced.

The real minimum wage should take into account the new level of expenditures for housing and the expanding circle of goods and services being paid for from personal income at market prices. The cost of higher unsubsidized municipal services for housing must be included in the consumer basket which provides the minimum living standard, and so this item of people's expenditures must also be indexed.

The problem of privatization of housing should be resolved by handing over to the tenants apartments which meet established social norms for the minimum housing payment, while charging a slightly higher, but acceptable payment for above-norm housing. Apartments are transferred to the personal ownership of handicapped persons, veterans of the Great Patriotic

War, and categories of citizens equal to them free of charge. All unjustified advantages for receiving or paying for housing are eliminated.

Special republic social programs of support, which even involve standardized distribution in physical form, will be used as the basis for meeting the vital needs for food, housing, medicine, and other types of services of certain population groups—the elderly, the handicapped, families with many children, and orphaned children.

### 11. The Labor Market

The transition to market relations presupposes a need for free supply and demand for work force and protection of citizens' interests relative to employment issues based on the adoption of new legislation.

When we change to the new forms of economic activity, release and redistribution of work force will inevitably occur not only among sectors, but also among territories. At the same time, significant changes in the occupational-skill composition of working people may occur. These processes will occur in conditions of a high natural increase in the republic's labor resources.

All this makes it necessary to create fundamentally new economic, legal, and organizational conditions which reliably guarantee the social protection of citizens who live in the republic. Finding jobs for certain population groups who are presently uncompetitive on the labor market (young people, especially rural young people, without basic occupational training, women with many children, handicapped people, former convicts who have served their sentences, and the like) requires special attention. In this connection, a special comprehensive program to stimulate increased employment and job placement must be developed.

The Republic Employment Office should become an efficient mechanism for realizing these measures. It will select and process information on the unemployed population, analyze the condition of and forecast the employment rate on the labor market and existing and newly created work places, determine the need for training and retraining the unemployed population, participate in developing and realizing regional and republic programs of employment of the population, render free services to the population by offering information on the possibility of finding work, and register the unemployed and pay them benefits.

The employment office is created on the levels of the republic (the main administration), the oblast (the employment administration), and the city and rayon (employment centers). And it is envisioned that the maximum number of functions is handed over to the lowest-ranking office (the city and rayon), where the entire complex of work entrusted to it should be performed. The Kirghiz SSR State Committee for Labor and Social Protection will coordinate all measures in this area.

The republic Government will determine the sources of the formation and the amount of the employment fund and the total amount of capital needed to support the living standard of people who have lost their jobs, are entering work for the first time, or are going to work after a long break on the basis of the appropriate Union and republic legislative acts.

The status of unemployed is established by the Law on Employment.

The following system of types of compensation is envisioned to maintain the living standard of an unemployed person: continuance of credit for service time and average wage during the period of looking for a job (up to 3 months); continuance of credit for service time and stipend payments during the period of occupational training; uninterrupted credit for service time and continuance of the labor bonus for public service jobs; payment of temporary unemployment benefits; material aid to the unemployed and the members of his family; and social employment insurance.

In order to attract the unemployed to work, public service jobs will be widely used, above all work to clean up populated points, highway construction, and work in municipal services. These jobs may be extended to other types of work at enterprises which are municipal property. By agreement public service jobs may be organized at other enterprises of this territory too. In public service jobs labor will be paid for in accordance with the work performed, but in an amount no lower than the minimum wage. The general social guarantees, including the right to a vacation, a pension, and sick pay, are extended to persons employed in public service jobs. Public service jobs may be financed using centralized capital and should be distributed within the republic with due regard for the existence of free labor resources and with the share participation of the local executive power and the employment office.

In conditions of the transition to the market, the network of specialized enterprises for handicapped people must be expanded by envisioning wage benefits, quotas set by enterprises and organizations for acceptance of graduates and youth, including those of the indigenous population, as well as handicapped people wishing and able to work, and benefits offered to enterprises which are creating new work places.

In the final stage of formation of the labor market, the residence permit will be abolished and labor legislation changed, the protective functions of trade unions will be reinforced, and unions of entrepreneurs and managers will emerge. A mechanism for organizing and regulating the work force market and social control over the dynamics of incomes and prices will be created on the basis of agreements between trade unions and entrepreneurs and trade unions and the state.

## 12. The Scientific-Technical Sphere

In the transition to a market economy, all elements and directions of scientific-technical progress (STP) should be included in the sphere of the direct influence of economic reform.

Priorities are selected on the basis of the Comprehensive Forecast of Socioeconomic and Scientific-Technical Development of the Republic and with consideration of its present and future specialization in the all-Union and international division of labor. Proposals to list the priority directions of STP are prepared by the Kirghiz SSR Academy of Sciences, the republic ministries and departments, and alternative innovational organizations with the extensive involvement of the scientific-technical community. The corresponding decisions on listing the priority directions of STP should be adopted by the republic's Government.

Resources for the priority directions of STP must be concentrated both by allocating them directly from republic funds and by creating economic incentive for enterprises and organizations to use their own capital for these purposes. Taxation, price-setting, and financial-credit policy systems will increase the receptivity of the republic's economy to STP.

The multiplicity of sources of financing and its targeted orientation should be made the basis of the new approach to questions of financial support of science starting 1 January 1991.

In state budget financing, priority should be given to providing appropriations for the most important basic research and work on intersectoral scientific-technical problems of all-republic importance, as well as assignments of targeted republic scientific-technical programs. In order to increase the effectiveness of the use of state budget capital, starting 1 January 1991 it should ordinarily be allocated for these purposes using share participation with the enterprises, associations, [obedineniye and assotsiatsiya], and banks, including commercial banks, involved; on a return basis, as well as under conditions of credit (only basic and applied research should be financed outright). And, in order to overcome the monopoly position of certain organizations, in 1991 budget capital should be allocated under competitive conditions with the possibility of research collectives from other republics and abroad participating in the competition. For these purposes, in 1991 extensive use of a competitive-contract system of organizing research and development, above all in priority directions, should be begun.

Concurrently with formulating the directions of denationalization in the sectors of the economy, a program of denationalization of sectors of science should be formulated and ratified in the republic before 1 January 1991.

Starting 1 January 1991, the network of organization of science and scientific services in the republic must be

rationalized and the forms for financing them in accordance with the development priorities must be determined.

For the purposes of developing the market for scientific-technical output, starting 1 January 1991 alternative small inovational structures must be developed; they include centers of scientific-technical creativity of youth, scientific-technical cooperatives, cost-accounting centers, and temporary creative collectives under republic organizations of scientific-technical and economic societies. This will ensure that alternative research and development is conducted, lead to increased competition among scientific collectives, and help form a market of scientific-technical developments and services.

The research collective, which works on contract on a particular problem, should be the main link in science. This will make it possible to transform scientific organizations (with the exception of those involved in basic research) into centers of contract research which offer diverse scientific-technical services.

The republic's scientific organizations will be able to take part on a competitive basis in research on all-Union scientific-technical programs with the corresponding financing.

The Academy of Sciences is the republic's largest scientific institution. The republic Supreme Soviet should determine the status of the Kirghiz SSR Academy of Sciences as a self-managed scientific association which operates on the basis of Kirghiz SSR Laws and the Kirghiz SSR Academy of Sciences Charter without any intervention by state or other structures.

A complex of measures to strengthen scientific-technical potential must be carried out in the fourth quarter of 1990 and the first quarter of 1991. Centers for shared use of scientific instruments should be set up in the republic's scientific and educational centers. In the period of transition to market relations, in addition to financial support the republic's organs of management should also allocate the appropriate material-technical resources for priority directions of STP. Opportunities for leasing unique expensive and imported scientific instruments and equipment should be utilized to the maximum. The republic laws "On Scientific-Technical Policy in the Kirghiz SSR" (with definitions of the priority directions of STP, sources for financing the development of science and technology, the procedure for forming scientific-technical programs at various levels, and the like) and "On Intellectual Property in the Kirghiz SSR" must be adopted no later than the first quarter of 1991.

In the area of **nature conservation** and ecological safety, a complex of measures focused on radically increasing the ecological reliability and rate of accident-free work of economic objects must be formulated and realized.

Under conditions of the market, the establishment by local soviets of limits on environmental pollution (the minimum level of discharges from existing enterprises,

and in the future on the basis of scientifically justified norms), fees for limited discharges depending on the level of actual damage, and fines for above-norm discharges in amounts equal to all the income obtained at the expense of violating the established limits will play an important role.

For the purposes of radically improving nature use, a charge (tax) on the use of natural resources—land and nonrenewable natural resources—must be prepared and introduced and charges for water and forestry exploitation must be increased to an economically sound level. A legislatively fixed share of the tax for use of nonrenewable natural resources should go to local budgets.

### 13. Reorganization of the System of Management

The transition to a market economy which is occurring along with the development of a new Union treaty and the establishment of new boundaries for the jurisdiction of the Union and republic organizations of management means a fundamental transformation of the entire system of economic relations, and consequently, of the organizational structure of management of the economy, and use of a system of market regulators.

A fundamentally new system of management which is adequate to the market will be shaped by replacing old organizational structures of management with new ones which are able to use economic regulators effectively. During the stage of transition to the market, parallel structures may exist briefly; that must be allowed in order not to lose control of the process of formation and operation of the market. At the same time, while the reform is underway, executive organs of power which are carrying out the reform receive exclusive rights within the limits of their competence. Powers are carefully delimited both between the legislative and executive powers, and in terms of levels of management of the economy.

Realizing laws on local soviets, property, and land and other legislative acts and intensifying the processes of denationalization and privatization necessitate reorganizing or eliminating sectorial production ministries and departments in the near future as organizational forms are created which are capable of operating in the market system.

Even though management functions have been partially changed due to the introduction of elements of market relations, the functional ministries and departments—health care, culture, public education, Goskompriroda [State Committee for Protection of the Environment], and others—should be preserved.

But as the market mechanism begins to run smoothly and a market infrastructure is created to replace the present sectorial departments, a staff of expert consultants on various directions of the republic's socioeconomic life made up of highly qualified specialists will be created in the Government apparatus. The institution of advisors on issues of cultural affairs, nationalities affairs,

religious affairs, and relations with sociopolitical organizations and movements is being created under the chairman of the Council of Ministers.

In the new conditions the jurisdiction of the Government is determined by the new Law: "On the Kirghiz SSR Council of Ministers."

The proposed structure of state management of the republic's economy intended for the transitional period takes into account the absence of full-fledged market relations in this stage and so is to be refined later.

**Local self-management.** In market conditions local soviets build their activity on the principles of self-management and self-financing. The administrative-territorial structures (oblast, city, rayon, or village), which have substantial independence in resolving their own socioeconomic problems, are not bearers of sovereignty, unlike the national-state formations.

Based on the range of competence stipulated by law, the following should be the most important directions in the work of local soviets: organization of interfarm associations, associations [assotsiatsiya], and centers of region-wide importance; organization of construction objects of the production and social infrastructure on share principles; coordination and regulation of cooperative and individual labor activity; and development on the territory of new forms of financial-economic activity, including the creation of the necessary market infrastructure.

During the stage of legal and organizational-managerial support of the transition to the market (until 1 January 1991), the ispolkoms of the local soviets organize work to evaluate the value of the property of enterprises which are part of the local economy, substantiate the preferable form of ownership and economic activity for them, and inventory nonresidential spaces which are on the territory of the corresponding local soviets.

For the purposes of carrying out economic reform and optimizing the structure of territorial self-management, it is recommended that the local soviets of people's deputies create the appropriate economic subdivisions within the executive organs to directly realize economic reform on the territory, and that includes privatizing municipal property, supporting small entrepreneurship, and carrying out land reform along with abolishing sectorial departments which are incompatible with the market in terms of their functions.

It would be advisable from now on to combine the positions of chairman of the (oblast, city, or rayon) soviet and chairman of the ispolkom to ensure more effective work of the system of local self-management organs and eliminate the duplication which now exists.

The republic's administrative-territorial divisions should be clarified and converged with the economic regions, and territorial-economic complexes should be

formed with a financial-economic base adequate for local self-management [samokhozyaystvovaniye].

#### 14. Organizational-Legal Support of the Transition to Market Relations

A legislative base for economic reform and an organizational mechanism for its realization should be created as soon as possible. This base should include adoption by the republic's parliament of basic laws on monetary-financial regulation of the economy, entrepreneurship, competition and denationalization of ownership, curtailing of monopolistic activity, and social protection of the population, and on their basis implementation of practical actions. Simultaneous with the adoption of the new legislation, legislative acts adopted earlier which are in conflict with it are rescinded or suspended.

Certain provisions of the new system of economic relations may be put into effect temporarily by ukases of the Kirghiz SSR president or resolutions of the republic Council of Ministers before the necessary legislative acts are adopted.

The practical realization of the program depends on work to train and retrain specialists. The following steps must be taken in this direction:

1. Promote training and retraining in specialized courses for workers of state organs, economic managers, and specialists on the base of the Intersectoral Institute for Advanced Study by Management Workers and Specialists in the Economy under the Kirghiz SSR Council of Ministers, the republic higher school of agroindustrial complex management, and other existing advanced study courses under sectorial departments. Create regional intensive instruction centers as a base for instruction in the operation of enterprises working under rental arrangements or transformed into other forms of ownership. Recruit specialists from central institutions and from other republics and countries and employees of joint ventures as instructors. Encourage in every way the opening of commercial business schools, manager training centers, and others which operate on cost-accounting.

2. Send large groups of specialists on key issues of economic reform to targeted on-the-job training abroad for 3-12 months (or more), above all training in finances, business and banking affairs, job placement of work force, and others; more extensively utilize the practice of sending students, graduate students, and young specialists for economic and business training to centers with much experience in instructing cadres on the market economy.

3. Recruit foreign specialists to work on creating the basic elements of a market infrastructure (commodity and stock exchanges, investment funds, a job placement system, and others).

4. Immediately introduce courses on general economic theory and the market economy and the study of various

models of its operation at VUZes and secondary specialized educational institutions, especially those with an economic specialization. Recommend that the study of the discipline "Basics of Economics" be introduced in high school upper classes. Fundamentally improve the study of foreign languages at all levels of education.

5. Reorient the system of economic and political instruction to the study of economic, political, legal, and sociopsychological problems of the market economy. Take broad advantage of the potential of the mass information media (radio, television, and the press) to organize mass compulsory education of citizens, round-tables, debates, and business games.

#### Armenian Decree on Founding, Development of Small Enterprises

914A0515A Yerevan GOLOS ARMENII in Russian  
1 Feb 91 p 3

["Resolution of the Armenian Republic Council of Ministers on the Creation and Development of Small Enterprises"—GOLOS ARMENII headline; all parentheses are as published]

[Text] Setting itself the aim of creating new economic structures to promote implementation of the government program for the transition to market relations, the Council of Ministers of the Armenian Republic resolves as follows:

1. To make extensive use of the capabilities of small enterprises to recruit the public into the sphere of individual labor activity and flexible, antimonopoly organizational structures.

2. To establish that the small enterprise is a legal entity that carries on certain activity in accordance with the principles of free enterprise (except for farming associations and individual (or family) enterprises).

3. Small enterprises may be created on the basis of all forms of ownership and in all spheres of activity except for forms of activity banned by laws of the Armenian Republic.

4. Subjects functioning with the status of a created or existing small enterprise may have personnel within the following limits:

- for enterprises in the sphere of industry and construction, up to 200 people;
- for enterprises in other sectors of the production sphere, up to 50 people;
- for enterprises in science and scientific service, up to 50 people;
- for enterprises in the nonproduction sphere, up to 25 people;
- for enterprises in the sphere of retail trade, up to 15 people.



Small enterprises engaged in several kinds of economic activity will be granted status according to annual volumes of output (work, services) with respect to their main activity.

5. Small enterprises may be set up by:

- citizens;
- state, lease, collective, and joint enterprises, public organizations and their enterprises, cooperatives and joint-stock companies, farming associations and societies, economic associations, and other enterprises and organizations;
- state organs that have powers to handle state property.

In addition, small enterprises may be set up on a joint basis by the above-mentioned organs, enterprises and organizations, and citizens.

The Armenian Republic Council of Ministers is establishing a special procedure to set up small enterprises on the basis of state enterprises.

6. The form of ownership for a small enterprise is decided according to the form of ownership of its founder (or founders).

The kind of small enterprise is determined by the founders, proceeding from the forms of ownership of kinds of enterprises as envisaged by law.

7. Small enterprises (except for farming associations and individual (or family) enterprises) acquire the status of a legal entity from the moment of their registration.

8. The small enterprise is registered by the executive committee of the rayon, city, or city rayon soviet of people's deputies on whose territory it is located.

9. For state registration in a rayon, documents of establishment are submitted to the appropriate executive committee of the rayon or city soviet of people's deputies, and, if required, also a state license, which is issued in accordance with established procedure in accordance with the Constitution of the Armenian Republic.

10. The documents of establishment for a small enterprise are its regulations (except for farming associations and individual (or family) enterprises), and the decision of the founder (or founders) to set up a small enterprise.

The enterprise regulations, which are confirmed by the founder (or founders) indicate the name of the enterprise, its location, its sphere of activity and purpose of activity, the procedure for the organization of management and control, capital investments made, the distribution of income, mutual relations between the founder and the enterprise (if they are different subjects), conditions for reorganizing and terminating the activity of the enterprise, and also, proceeding from the special features relating to the activity of the enterprise, other provisions that are not at variance with the law.

State registration of small enterprises is done within two weeks after submission of the documents of establishment.

11. State registration of a small enterprise may be refused only in the event that the documents of establishment are at variance with the laws of the Armenian Republic.

Failure to complete state registration of a small enterprise within the set time, or refusal to do so for reasons unacceptable to the founder may be appealed by the founder under established legal procedure.

12. The degree of independence for small enterprises in the sphere of production management, organization, and payment of wages are determined by the enterprise regulations and the constituent agreement unless otherwise provided for by the laws of the Armenian Republic.

In the case of a state enterprise being transformed into a small enterprise, or the creation of a small enterprise as a branch of a state enterprise, association, or organization, under the procedure established by the Armenian Republic Council of Ministers, contractual obligations assumed earlier by the enterprise, association, or organization must be met.

13. Workers at small enterprises enjoy social insurance, and also social security under the same procedure and conditions as established for workers and employees in state enterprises. In accordance with existing law, small enterprises make social insurance payments for those workers whose wages are taken into account in the determination of pensions.

14. The procedure for the organization and activity of small enterprises on the territory of the Armenian Republic set up by foreign legal entities is determined by the laws on joint-venture enterprises.

15. For small enterprises formed from state enterprises, the procedure for the size of deductions from profit (income) is retained.

When small enterprises are set up as branches of state enterprises, associations, or organizations, the size of deductions from profit (income) for the latter is determined under procedure established by the Armenian Republic Council of Ministers.

For existing small enterprises, the procedure for and the size of deductions from profit (income) established for them are retained.

Small enterprises set up on the basis of cooperatives make mandatory payments under the procedure established for cooperatives by law.

Small enterprises formed from unprofitable state enterprises, associations, or organizations, and likewise those existing before adoption of this resolution, do not have the opportunity for additional payments.

Newly created small enterprises, except for those set up on the basis of cooperatives or formed from state enterprises, associations, or organizations, are exempt from payments into the budget from profits during their first year of existence, and in the following year they pay 50 percent of those deductions.

During the first three years of the activity of small enterprises formed from state enterprises, that part of profits that is used for capital investment is tax exempt. Small enterprises that are closed down within four years following registration are obligated to repay tax concessions granted them.

16. Terminating the activity of a small enterprise or its transformation (association, merger, division of a branch) is done with the permission of the owner of the property or the organ that created that enterprise, and also by the assignee of that organ.

The activity of an enterprise may also be terminated or an enterprise may be transformed by a court decision in the following cases:

- a) when the documents of establishment for an enterprise are deemed invalid;
- b) when the enterprise is deemed to be insolvent;
- c) when because of failure to meet the legislative requirements of the Armenian Republic it is decided that the activity of an enterprise has not met the requirements of that decision within the time established for it to do so.

The activity of an enterprise may also be terminated on the basis of other provisions set forth in the laws of the Armenian Republic.

An enterprise is deemed to be disbanded from the moment that it is withdrawn from the state register.

Protection of the rights and legitimate interests of the workers at a small enterprise after it has been disbanded or transformed is guaranteed by the laws of the Armenian Republic.

17. Regulation of the spheres of activity of the small enterprise not provided for by this resolution is effected through existing laws of the Armenian Republic.

18. Ministries, state committees, departments, and executive committees of local soviets of people's deputies shall provide priority assistance for small enterprises set up to produce consumer goods and provide personal services for the public, increase the output of construction materials, and complete and introduce scientific research and experimental work in promising new avenues, and in matters relating to their material-technical supply, making available free production capacities and mechanisms and equipment not being used and mothballed and uncompleted projects and premises, by offering them for sale or hire.

19. To assign the Armenian Republic State Committee for Statistics jointly with the Armenian Republic Ministry of Finance the task of drawing up and submitting to the Armenian Republic Council of Ministers within one month proposals on a republic register of enterprises, establishments, and organizations.

20. To assign the Armenian Republic State Committee for the Economy the task of drawing up and submitting to the Armenian Republic Council of Ministers within one month proposals on procedure for setting up small enterprises on the basis of state enterprises.

[Signed] V. Manukyan, chairman of the Armenian Republic Council of Ministers.

G. Akopyan, acting administrator of affairs of the Armenian Republic Council of Ministers.

22 January 1991.

### **Armenian Land Privatization Through Joint-Stock Companies Advocated**

914A0454A Yerevan GOLOS ARMENII in Russian  
16 Jan 91 p 2

[Article by Ts. Gasparyan, candidate of economics, under the rubric: "There Is an Opinion"; place and date not given: "Land to the Peasants"]

[Text] The current year sets the republic's rural population the same tasks as last year. But they will be solved in a fundamentally new way, as is already obvious to anyone who has had a chance to familiarize himself with the draft land law now under discussion in our parliament. Of course, there is a great desire on everyone's part to pass the fateful law before work in the fields begins. The prolonged debates, however, attest to the fact that the parliamentarians' haste is slowing them down. That's understandable: the opinions of the representatives of the republic's high-level authorities diverge on all cardinal points of the draft law. So that they have been unable to determine just how to transfer the land to the peasants: without compensation or with payment of its cadastral value. Still others, citing the peasants' losses during the years of mass expropriation of property, propose setting a minimum symbolic price for the land in all natural-climatic zones. A fourth group—more radically inclined—is battling for an extreme alternative: selling the land to anyone who wants it and is in a position to buy it. This assumes that the buyer, having become the land's owner, will also acquire the legal right to sell it subsequently. In this way the land—the sole source of our national well-being—is regarded as a good.

...

Historical experience shows that the scholastic approach to landownership and land use of the last 70 years of Soviet power led to deplorable consequences. Deformed agrarian policies, the costs of which are especially blatant in Armenia, which lacks sufficient arable land, have led to an imbalance in production and the processing and

sale of production to the population. Forced collectivization and the subsequent creation of economically weak farms led to a decline in production, the degradation of rural life, and the urbanization of the republic's population (68 percent) and idled the greater part of the able-bodied rural population.

The degradation of productive relations in turn destabilized the market. For example, from 1960 to 1986 the volume of production of gross output in agriculture per capita of population in the republic grew by only 10.2 percent. The situation became more complicated in the following years, for there was a drain of able-bodied workers from the countryside to the town and beyond the republic's borders, and a number of villages emptied out. Clearly, herein lie the most important cause-and-effect motives in the search for optimal scenarios for land privatization.

The fact is that the necessity for land privatization is not a goal in itself but a real political and social task stipulated for by society's democratization. There have been no analogous phenomena in our history, so why not copy the old system of property ownership? Copying, restoring the old models makes no sense because the return on small parcels of farmland would be minimal, even if they fell into the hands of conscientious owners.

Obviously, my opponents are going to bring up the example of farms in the United States and other countries, which provide an abundance of agricultural output. But we won't agree: the farmer in the West and our peasant (even a private owner) are now and will long continue to be in far from equal conditions, considering the level of the branch's development, the material opportunities for rural dwellers and the state, the natural-climatic characteristics of the republic, as well as dozens of other factors.

Analysis shows that we need to follow a different, longer path to the creation and development of farms in Armenia, specifically, privatization and the creation on a property basis of sovkhozes, kolkhozes, other agricultural enterprises, and new joint-stock agricultural companies (ASO). Only when we have the ASO should we create peasant farms, to which land will be leased for permanent use with the right of inheritance.

The privatization of land and other agricultural fixed capital can be brought about in the following manner. The land and other fixed capital belonging to the sovkhoz and kolkhoz can be appraised for cadastral and remainder value. Stocks can be issued for this value and sold to individuals and families. Stockholders thus acquire the right of property owners to a specific share of the value of the land and other capital. Should a family leave the ASO and wish to take up private-entrepreneurial activity, it can be assigned a parcel of land and other fixed capital to lease within the limits of the value of its acquired shares.

Joint-stock agricultural companies have great advantages on both the social and economic levels as well, for

they ensure a steady rural infrastructure, which is very important for Armenia, and simultaneously guarantee stable property rights. Moreover, this form of association of property owners stimulates a continuous increase in the prosperity of rural dwellers out of increased income. After all, income will be created both out of wages and out of stock dividends.

The ASO will be able to create and improve communal-household and sociocultural conditions for rural dwellers, to ensure free health care, and to pay pensions. The ASO will construct its relationship with the state on mutually advantageous contractual principles, and its internal economic activity will be coordinated by an ASO soviet elected by the rural dwellers. This form of administration will become the guarantee of the individual's democratic freedoms and will not restrict the choice of economic management forms, for peasant families will have the full right to leave the ASO and farm independently.

Persons not residing on the territory of a given village may become ASO members if they want to invest their own money in the development of the company's production. These persons will become stockholders, which means that, as shareholders, they will receive their share in the distribution of ASO profit.

This type of private-entrepreneurial unit in the village, I believe, will become a starting base for the development of farming and will ensure the evolutionary transition of the land and other means of production to the property of rural and town dwellers who have manifested the desire to take up agriculture.

Under both forms of agriculture, the state is paid a lease payment for the land, water, equipment and transport use, and so on. The state will become the legal partner of the ASO, which will collect a lease payment from peasant landowners according to their use of productive means and the leased land. Like the ASO, private entrepreneurs, may sell ready output to the state as well as other consumers at free or contractual prices, as well as at pledge prices for the coming harvest. I believe that only the creation of joint-stock agricultural companies utilizing the forms of private entrepreneurial activity can bring about agriculture's painless and complete privatization. Thus, in Armenia, subject to denationalization are the lands and fixed capital of 590 sovkhozes, inter-farm enterprises, and organizations, which as of 1987 held 69 percent of the republic's farmland, or 937,500 hectares, of which only one third is in plowed fields. What can I say: we face a difficult task. And voluntarist methods of resolving it could have the most negative consequences.

However, it is just these kinds of methods that are being proposed by those who would change the status quo most radically, i.e., by selling the land to the population today, right now, justifying it by the fact that only private ownership of the land in its traditional form can ensure the republic's economic stability. But in battling for

instant results, the radicals have not given sufficient thought to the consequences. The land sold to the peasants today, due to the situation that has come about over the last 70 years, will become merely the legacy of the republic's rural population, not of the entire people. Yes, let the rural dwellers have it for tomorrow and always. Nonetheless, it must remain the property of all the people.

## INTERREGIONAL, FOREIGN TRADE

### Moves Toward Sovereignty Not Helping Latvian Farmers

914A0511A Moscow SELSKAYA ZHIZN in Russian  
7 Mar 91 p 2

[Article by SELSKAYA ZHIZN correspondent A. Timkov: "Path to Europe? The Losses for Latvia Resulting From the 'Parade of Sovereignty'"]

[Text] Republic of Latvia—I have been following the operations of the Lukna pig-breeding plant for more than 10 years. Today it has become a kolkhoz, but the pig breeders maintain a high reputation. The fattening process, set up like clockwork and functioning meticulously for a long time, has convinced both me and the rayon authorities that the kolkhoz is unstoppable. However, foreman Khelena Ryndina has acknowledged:

"Difficult times have arrived for us. Our own stores of fodder have slowly dwindled and there is no new supply. We send drivers all over the place, but with little result. In one place those who have grain ask for refrigerators in return, in another place they want clothing and footwear, as though we were a trade storehouse and not a pig-breeding kolkhoz."

In the republic there are many private farms, plants and other farms in general whose leaders and specialists, like those at Lukna, ponder how to stay afloat and avoid a mass slaughter of livestock. Fodder diplomacy has taken on an unusual importance. Members of the government's cabinet have even been pulled into its orbit. The quest for supplies has even been extended to Canada and the United States. But at present the results are poor. The problem is not that the former partners want nothing to do with a Latvia that is seceding from the USSR. Everything turns on the parade of sovereignty, begun in the Baltic regions and now encompassing not only republics but even krais, oblasts, rayons, and even individual enterprises. This is the cause of the breakdown of the horizontal ties that politicians from the Baltic region were counting on. Each manager now cares only for his own profit, which in the absence of a true market results in universal loss and a lack of balance in the national economy. Whoever has a surplus of grain does not need cheap meat from Latvia. And the industrial centers, strangling from a lack of food, have no fodder at their disposal. If some farm manages to find a mutually acceptable system for purchasing fodder, the

transaction is obstructed by customs barriers, the introduction of which was initiated by those same republics of the Baltic area.

The peasants were the first to feel the ruinous effect of the broken ties. At Lukna and in other places they ask whether the politicians were not too hasty in declaring independence. Is not its price too great, when the level of production falls rapidly and the people's living standard declines abruptly? Few people were overjoyed by the triple increase in prices on food goods. It fell particularly heavily on the population with modest means. Supporters of the measures that are so unpopular among the people and bureaucrats of various levels insulated themselves with a substantial salary increase. Expenditures to maintain the administrative apparatus increased many times over.

And for the time being the store shelves do not even remotely resemble those of Europe. Long lines exist for all kinds of goods. And the market, whose prices were supposed to come closer to state prices, has risen to a new level.

The peasants, of course, will not perish. But at Lukna and the Vabole kolkhoz in Daugavpilskiy Rayon the people have expressed the fear that the shortage of food may exacerbate already unstable relations between the city and the countryside. The union of the two, which was maintained with administrative support, has now become very weak.

Vilkhelym Byk, chairman of the Vabole kolkhoz, complained that a portion of the major urban enterprises that are against the road to a foreign market ignore the requests of nearby farms. It is difficult for villagers to get to the urban purchaser with their goods: Home-baked bread, meats and sausage, cheeses, vegetables and fruits. The members of the kolkhozes are happy to obtain any little space, get set up, and open a store. But the authorities, obstructing the development of market relations, erect an unassailable wall. The situation is similar in other cities and in the capital of the republic as well.

Psychological depression—that was how the second congress of the Union of Agriculturalists characterized the situation of the majority in the Latvian countryside. It is the result of the upcoming privatization of land, the return of previous plots of land to former owners, attacks on the kolkhoz and sovkhoz system and leaders and specialists, and the collapse of material and technical support. Everyone knows that collective farming is vulnerable to criticism. But are any of the other sectors of the national economy any better?

But for the time being no one in the republic has called, for example, the director of a furniture plant a "red baron," as is done in regard to leaders of agriculture. No one is proposing that urban enterprises be broken up, as is being talked about in regard to the kolkhozes and sovkhozes, which have been declared a bulwark of the administrative command system.

The path to Europe, conceived back in the period of the formation of the People's Front and openly declared when the new leaders came to power, envisages replacement of collective forms of agriculture by individual forms. As a result, the official policy has become a return to the small farmsteads which won fame for prewar Latvia as a stable exporter of agricultural products on the European market. And indeed it was. But is it possible to go back in time 50 years?

About 7,300 peasant farms have appeared in the republic in more than two years. That is more than two times the number in neighboring Lithuania and Estonia combined. Private farmers Oskar Grig from Tukumskiy Rayon, Olgerd Kalnmalis from Kuldigskiy Rayon, Bernkhards Sans from Limbazhskiy Rayon, and a number of others have achieved impressive results over a short time, testifying to indisputable advantages over kolkhozes and sovkhozes. But, as everyone knows, one or even several swallows do not make a summer. The movement of private farmers to the production stage has not changed the food supply climate in the republic for the better. Nor will such movement change it for a long time to come. Why not?

The proportional growth in the number of individual owners of land also multiplies problems with equipment and material and technical support of the farms. Approximately one-third of the small farmers was even unable to get bank loans. The state treasury is not limitless. About half cannot buy tractors, other agricultural equipment is in short supply, the foundations do not even exist for many future small farms, and there is no saying when they will appear. There is a catastrophic lack of building materials.

The majority of peasants are counting on standing on their own feet in five years, some sooner. The first bankruptcies have also appeared, those who were unable to pay off loans that they received under quite advantageous conditions. The maximum interest was one percent. But that has been stopped by decision of the financial specialists. Beginning this year, the interest on money loaned out has increased to 11 percent. This innovation has been met by private farmers without enthusiasm. But the administration is not in a hurry to change its decision, even though dissatisfied voices are being heard ever more insistently.

At present it is difficult to say what dictated it. It may be the desire to set the financial situation right, or it may be to curtail the aspiration of the peasants for land. More likely it is the latter. It has become clear to all that such a quick increase in the number of private farms is beyond the powers of the administration. Especially now that it must deal with previously unforeseen expenses for the creation of the republic's customs service, which is conducting an examination of everyone leaving Latvia, and for a structure to maintain order parallel to the militia.

Nor should there be an expectation of a big contribution from the collective farms. They have been weakened not only by the outflow of a portion of their workers and farmers but also by a reduction in livestock, a fall in

productivity, modest reserves of fodder, and a decrease in the area sown to winter crops.

As they staked out the path to Europe, the politicians who have come to power made a mistake in choosing the route. The Latvian Communist Party, the United Council of Labor Collectives, and Latvia's Interfront, which are in opposition to the ruling circles, believe that it is adventurist and leads to an impasse. The workers of the republic have called the actions of the administration anti-people.

Time will show whose side truth is on. But it is already clear to many now that separatist aspirations have aggravated the economic crisis. Without a clear program for overcoming the crisis, the ruling forces are trying to ascribe everything to political instability. The People's Front has adopted the tactic of frightening the population with problems originating from the center and the communists. One can support the idea of the salvation of the nation. But how long is politics going to run ahead of economics?

## PRICES, BUDGET, FINANCES

### Estonian 1991 Budget Legislation Issued

914A0469A Tallinn SOVETSKAYA ESTONIYA  
in Russian 29 Dec 90 pp 3,4

[Text: "Estonian Republic Law: 'On the Estonian Republic State Budget for 1991'"]

[Text] The Estonian Republic Supreme Soviet decrees the following:

Subheading 1. To ratify the Estonian Republic State Budget on incomes and expenditures in equal proportions—1,627,370,000 rubles [R] and a circulating cash fund in the amount of R21 million.

Subheading 2. To set the incomes of the Estonian Republic State Budget for 1991 as follows (in rubles):

|   | Incomes     |
|---|-------------|
| Turnover Tax                                | 640,000,000 |
| Excise Fees                                 | 605,800,000 |
| Income Tax from Enterprises                 | 167,300,000 |
| Charges for Natural Resources               | 19,670,000  |
| Difference in Prices for Petroleum Products | 173,500,000 |
| Customs Duties Income                       | 10,000,000  |
| Other Taxes and Levies                      | 11,100,000  |

Subheading 3. To set the expenditures (in rubles) and proportions of expenditures (in percentages) of the Estonian State Budget for 1991 as follows:



|  | All Expenditures |                     | Including            |                |                     |
|--|------------------|---------------------|----------------------|----------------|---------------------|
|  | No of Rubles     | Percentage of Total | Administrative Costs | Of That, Wages | Capital Investments |
| 1—Recipients   | 2                | 3                   | 4                    | 5              | 6                   |
| Estonian Republic Supreme Soviet Presidium   | 8,403,400        | 0.516               | 3,743,400            | 720,000        | —                   |
| Estonian Republic State Control  | 960,000          | 0.059               | 960,000              | 680,000        | —                   |
| Estonian Republic State Chancellery  | 5,317,500        | 0.327               | 2,823,000            | 920,000        | —                   |
| Permanent Office of the Estonian Republic Government under the USSR Council of Ministers | 217,500          | 0.013               | 187,500              | 117,500        | —                   |
| Archives Department  | 1,236,400        | 0.076               | 90,600               | 70,500         | —                   |
| State Property Department  | 665,000          | 0.041               | 585,000              | 290,000        | —                   |
| Statistics Department  | 2,979,800        | 0.0183              | 1,979,800            | 1,402,700      | —                   |
| Ministry of Construction   | 12,741,000       | 0.783               | 761,000              | 445,800        | —                   |
| Municipal Services Department  | 296,000          | 0.018               | 296,000              | 205,000        | —                   |
| Ministry of Education  | 143,448,000      | 8.815               | 810,000              | 575,000        | 15,264,000          |
| Science Fund   | 54,700,000       | 3.361               | —                    | —              | 8,861,000           |
| Ministry of Justice  | 1,277,800        | 0.079               | 438,000              | 322,900        | —                   |
| Civil Status Documents Department  | 127,000          | 0.008               | 127,000              | 68,900         | —                   |
| City and District Courts   | 2,350,300        | 0.144               | 2,350,300            | 1,758,600      | —                   |
| Notary Offices   | 377,200          | 0.023               | 377,200              | 289,900        | —                   |
| Ministry of Trade  | 697,500          | 0.043               | 427,500              | 319,000        | —                   |
| Trade Inspection Office  | 179,000          | 0.011               | 179,000              | 126,000        | —                   |
| Ministry of Environmental Protection   | 1,927,000        | 0.118               | 366,100              | 254,100        | —                   |
| Forests Department   | 3,140,100        | 0.193               | 302,000              | 207,400        | —                   |
| Water Department   | 338,400          | 0.021               | 138,400              | 99,000         | —                   |
| Ministry of Culture  | 34,930,700       | 2.146               | 715,000              | 507,000        | 1,755,000           |
| Sports Affairs Department  | 7,012,400        | 0.431               | 200,600              | 123,900        | 400,000             |
| Tourism Affairs Department   | 60,600           | 0.004               | 60,600               | 43,800         | —                   |
| Ministry of Economics  | 2,272,300        | 0.140               | 1,325,000            | 705,800        | —                   |
| Trade-Licensing Department   | 196,000          | 0.012               | 196,000              | 110,300        | —                   |
| Standards Department   | 120,000          | 0.007               | 120,000              | 88,000         | —                   |
| Grain Products Department  | 604,000          | 0.037               | 267,000              | 186,700        | —                   |
| Foreign Economic Department  | 20,337,000       | 1.250               | 337,000              | 210,000        | —                   |

|  | All Expenditures |                     | Including            |                |                     |
|--|------------------|---------------------|----------------------|----------------|---------------------|
|  | No of Rubles     | Percentage of Total | Administrative Costs | Of That, Wages | Capital Investments |
| Ministry of Material Resources                 | 955,000          | 0.059               | 955,000              | 515,900        | —                   |
| Ministry of Agriculture                        | 110,290,000      | 6.777               | 1,668,800            | 1,165,700      | 40,570,000          |
| Land Department                                | 1,666,000        | 0.102               | 220,000              | 155,000        | —                   |
| Difference in Prices for Agricultural Products | 68,500,000       | 4.209               | —                    | —              | —                   |
| Ministry of Finances                           | 1,861,700        | 0.114               | 1,311,700            | 675,500        | —                   |
| Department of Prices                           | 506,800          | 0.031               | 506,800              | 308,600        | —                   |
| Tax Department                                 | 5,244,000        | 0.322               | 5,244,000            | 3,676,000      | —                   |
| Customs Department                             | 1,075,000        | 0.066               | 1,075,000            | 573,400        | —                   |
| Ministry of Communications                     | 500,000          | 0.031               | 500,000              | 298,300        | —                   |
| Ministry of Internal Affairs                   | 54,144,600       | 3.327               | —                    | —              | 3,623,000           |
| Eesti Kodukaytse                               | 511,900          | 0.031               | —                    | —              | —                   |
| Economic Border Fund                           | 5,000,000        | 0.307               | —                    | —              | —                   |
| Ministry of Social Issues                      | 235,300          | 0.014               | 235,300              | 143,600        | —                   |
| Department of Migration Affairs                | 151,000          | 0.009               | 151,000              | 103,300        | —                   |
| Labor Market Department                        | 337,500          | 0.021               | 122,200              | 86,800         | —                   |
| Labor Inspection Office                        | 190,600          | 0.012               | 190,600              | 124,700        | —                   |
| Ministry of Social Support                     | 16,829,000       | 1.034               | 328,000              | 240,900        | 2,721,000           |
| Ministry of Health                             | 85,854,600       | 5.276               | 450,000              | 264,300        | 6,064,000           |
| Ministry of Transport                          | 122,031,000      | 7.499               | 437,000              | 276,000        | —                   |
| Air Transport Department                       | 119,400          | 0.007               | 119,400              | 82,800         | —                   |
| Water Transport Department                     | 120,700          | 0.008               | 120,700              | 84,200         | —                   |
| Ministry of Industry and Power Engineering     | 880,000          | 0.054               | 830,000              | 575,000        | —                   |
| Technical Supervision Department               | 497,000          | 0.031               | 497,000              | 348,200        | —                   |
| Estontopliivo [Estonian Fuel] Association      | 3,000,000        | 0.184               | —                    | —              | 3,000,000           |
| Ministry of Foreign Affairs                    | 941,700          | 0.058               | 681,700              | 346,300        | —                   |
| Composers Union                                | 44,200           | 0.003               | —                    | —              | —                   |
| Institute of Estonia                           | 139,700          | 0.009               | —                    | —              | —                   |
| Writers Union                                  | 117,300          | 0.007               | —                    | —              | —                   |
| Estonian Exhibits                              | 160,000          | 0.010               | —                    | —              | —                   |
| Estonian Television                            | 16,358,000       | 1.005               | —                    | —              | —                   |
| Estonian Radio                                 | 11,669,000       | 0.717               | —                    | —              | 50,000              |

|   | All Expenditures |                     | Including            |                |                     |
|---|------------------|---------------------|----------------------|----------------|---------------------|
|   | No of Rubles     | Percentage of Total | Administrative Costs | Of That, Wages | Capital Investments |
| Estonian Nationalities Forum  | 190,000          | 0.012               | —                    | —              | —                   |
| Estonian Association of Foreign Societies   | 133,800          | 0.008               | —                    | —              | —                   |
| Estonian Telegraph Agency   | 200,000          | 0.012               | —                    | —              | —                   |
| Estonian Republic Union of Consumer Societies                                     | 350,000          | 0.022               | —                    | —              | —                   |
| Academy of Sciences   | 133,000          | 0.008               | —                    | —              | —                   |
| Water Rescue Society  | 100,000          | 0.006               | —                    | —              | —                   |
| Supreme Court   | 521,300          | 0.032               | 521,300              | 388,300        | —                   |
| State Arbitration Tribunal  | 216,500          | 0.013               | 216,500              | 153,400        | —                   |
| Civil Defense Headquarters  | 872,500          | 0.054               | —                    | —              | 700,000             |
| Construction Share Payments   | 11,880,000       | 0.730               | —                    | —              | 11,880,000          |
| Information Science Fund  | 3,530,000        | 0.217               | —                    | —              | —                   |
| Social Fund   | 315,000,000      | 19.356              | —                    | —              | —                   |
| Higher Wages for Employees of the Social Sphere, Including Social Tax             | 60,000,000       | 3.687               | —                    | —              | —                   |
| Coverage of Expenditures for Sea Transport to Islands                             | 4,000,000        | 0.246               | —                    | —              | —                   |
| Reserve Fund of the Estonian Republic Government                                  | 100,000,000      | 6.145               | —                    | —              | —                   |
| Debt Being Paid to the Bank Due to Difference in Prices for Agricultural Products | 85,070,000       | 5.228               | —                    | —              | —                   |
| Subsidies to Budgets of Local Self-Management Units                               | 228,330,000      | 14.031              | —                    | —              | —                   |

Subheading 4. The Estonian Republic Ministry of Finances is to finance institutions and measures from the Estonian State Budget, taking into account actual income receipts into the budget in accordance with the proportions of expenditures in the state budget.

Grant the Estonian Republic Government the right to utilize for additional financing of State Budget expenditures up to 25 percent of the budget income received beyond the envisioned income.

The Estonian Republic Government is to establish a provisional procedure for 1991 for financing institutions and measures from the State Budget.

Subheading 5. Ratify deductions from the enterprise income tax into the budgets of districts and republic cities in the amount of 35 percent.

In 1991 allocate from the State Budget subsidies of R25.86 million to the budget of the city of Tallinn, which includes R12.629 million for construction of the National Library, R1.5 million for construction of a boarding hotel for blind and deaf people, R1.5 million for construction of a track and field house, R1.488 million for construction of the Clinic imeni Seppo, and R1 million for construction of a conservatory; R14.54 million to the budget of the city of Kokhtla-Yarve; R5.205 million to the budget of the city of Narva, which includes R1.14 million to build an automatic telephone exchange, a pumping station, decontamination facilities, and a housing and municipal system production base in the settlement of Narva-Yyesuu and to expand the boiler house and reconstruct the port; R22.23 million to the budget of the city of Pyarnu; R1.770 million to the budget of the city of Sillamyae; R41.395 million to the budget of the city of Tartu; R2.710 million to the budget of Khyyuskiy District; R1.225 million to the budget of

the Ida-Viruskiy District; R7.8 million to the budget of Yygevaskiy District; R6.72 million to the budget of Yarovaskiy District; R10.725 million to the budget of Lyaeneskiy District; R4.355 million to the budget of Lyaene-Viruskiy District; R9.63 million to the budget of Pylvaskiy District; R185,000 to the budget of Pyarnuskiy District; R4.835 million to the budget of Raplaskiy District; R15.16 million to the budget of Saareskiy District, which includes R1.242 million for construction of a vocational-technical school; R9.05 million to the budget of Tartuskiy District; R13.855 million to the budget of Valgaskiy District; R14.415 million to the budget of Vilyandiskiy District; and R16.665 million to the budget of Vyruskiy District.

Subheading 6. Establish that in 1991 the difference between the purchase and sale prices for petroleum products minus expenditures for their purchase and sale be transferred to the Estonian Republic State Budget.

Subheading 7. Establish that starting on 2 January 1991 all price surcharges set by Part 2 of Subheading 6 of the Estonian SSR Law: "On the Estonian SSR State Budget for 1990" of 28 December 1989 go into the Estonian Republic State Budget.

The Estonian Republic Government is to establish the procedure for transferring all these price surcharges to the State Budget.

Subheading 8. Charge the Estonian Republic State Government with reviewing proposals and comments on the Estonian Republic State Budget for 1991 contained in the co-report of the Supreme Soviet Commission on Issues of the Budget and Economy, as well as proposals and comments made by other standing commissions and members of the Supreme Soviet at the sessions of the Estonian Republic Supreme Soviet, and adopt the appropriate decisions on them.

[Signed] A. Ruutel, Chairman of the Estonian Republic Supreme Soviet

Tallinn, 20 December 1990.

### **Rumored Finnish Currency Reform Panics Estonia**

914A0457B Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 20 Feb 90 p 2

[Article by G. Sapozhnikova under the rubric: "Well, Well!": The Convertibility of Our Humor Is Constantly Increasing: How the Estonian Republic Bid Farewell to the Finnish Markkaa"]

[Text] The residents of Estonia have not experienced a greater shock for a long time. On Saturday evening Estonian Television decided to amuse the public and reported that Finland, following the USSR example, was taking 50- and 100-markkaa notes out of circulation.

What a hullabaloo began! Entertainment establishments serving guests for rubles emptied in an instant and, in

contrast, hard currency restaurants filled up, foreign-made cars squealed, and telephones began to ring in hard currency stores. The republic bid farewell to Finnish markkaa. The most desperate, who did not listen to the end of the humor program "Vigla Show" and did not find out that it was only a little joke, began immediately to buy up gas for Finnish markkaa. They say that in one evening the price of the markka fell to one half its former level. The attack on hard currency bars and stores continued even on Sunday. Everyone was buying bananas (there is simply nothing cheaper in the world) and paid exclusively with the innocently slandered Finnish 50-markkaa and 100-markkaa notes.

It turned out very unhappily, for it is no secret that roughly 200 million Finnish markkaa are wandering around Estonia, and of that, as the Estonian Republic Bank believes, about a million are in 100-markkaa notes. It is impossible to name an exact figure, since no one keeps a record of hard currency on hand. But if the monetary reform in Finland had in fact occurred (and there have been rumors about it for a long time), it would have been a terrible blow to Estonia's material well-being, joint ventures, joint-stock companies, and, most importantly, people, for it is not just speculators who have hard currency.

The official reaction of Finland's financial experts is still not known, but the Finnish press treated this extraordinary occurrence with great sympathy. Reporting on it, the newspaper UUSI SUOMI writes: "The report plunged those who did not understand that it was part of a humor program into panic. Everybody has a 100-markkaa note or two in his stocking—as 'real' money which inflation does not affect. It is not difficult to understand people who acted that way. The situation is also very unpleasant because people did manage to sell their notes cheaply. Speculators can rub their hands with pleasure." What happened reminded Finnish journalists of a radio show in the late 1930s when radio listeners believed that Martians were attacking the Earth.

Estonian Television made an official apology to television viewers which said: "We regard what happened self-critically and apologize to those who were worried about their honestly earned Finnish markkaa."

One can pity us for our unhealthy state of mind and next time kick the Soviet system where people automatically begin to believe the most incredible nonsense, but somehow we are very afraid for our Finnish comrades. We have seen all there is to see, and we already know that where there's smoke there's fire.

### **Work of New Tax Inspection Service Viewed**

914A0477A SOVETSKAYA ROSSIYA in Russian  
23 Feb 91 p 2

[Article by SOVETSKAYA ROSSIYA correspondent V. Kolobov: "Abandoned on Somebody Else's Doorstep: First Steps of the Tax Inspectorate"]

[Text] One is tempted to say facetiously in the words of the poet: "Citizen finance inspector! Forgive me for disturbing you. Thank you, do not trouble yourself—I will wait. I have business of a delicate nature to discuss with you...." However, in the first place, A. Shcherbinin might be offended to be taken for the citizen in question, having an irreproachable record of 23 years of service in financial organizations. In the second place, he is not a financial inspector—he is the director of an oblast tax inspectorate. And in the third place, the conversation we had was not at all of a delicate nature, nor was it about poetry, but rather about the prosaic life of a new agency within the economic superstructure of the state.

Indeed, on 1 July of last year the tax inspection service was transferred from the financial agencies and became an independent entity. That is, it is independent to the extent that it receives no instructions even from the local Soviet of People's Deputies and is subordinate only to the departmental chain of command. Its emergence and its present status is attributable to the conversion of the country's economy to market conditions: the privatization of enterprises, the development of the cooperative movement, and individual entrepreneurial activity. It is the task of the inspectorate to audit all taxable assets, make tax assessments, submit bills for payment, and collect them in a timely manner.

This is not an easy assignment, Aleksandr Tikhonovich emphasizes, even for Tambov Oblast which is comparatively small. The enterprises, kolkhozes, and sovkhozes in this oblast alone number more than a thousand. Additionally, there are 200 individual farmsteads, 2,600 persons engaged in individual work activities, 2,400 renters of residential property. And day after day the number of cooperatives and small-scale enterprises is growing.

To address such an imposing task, it was necessary to secure appropriate conditions of work. In this regard things worked out well for the inspectorate in Tambov Oblast. The elimination of the rayon party committee in the city of Tambov resulted in a floor becoming available in a large and almost new building, which was turned over to the inspectorate. A. Shcherbinin received me in the spacious office of the former first secretary, whose telephone he had even inherited. They had even retained a few telephones in other offices, and he himself had managed to "dislodge" the rest—not enough, he was sorry to say.

The term "dislodge" was not accidentally chosen. Whatever the director of the inspectorate had managed to lay his hands on was obtained only as the result of a struggle. Take transportation, for example. In this case it was fortunate that the Committee of People's Control had also been eliminated, for a dozen vehicles which had been rented to them, and which were in fairly good condition, were placed at the disposal of the inspectorate; two others they managed to get for themselves. But they require no less than 20 vehicles. The rayon inspectorates have no transportation at all. Eight out of

33 of them have no permanent locations and are reduced to pleading for them. How under such conditions is a person to save face? How is the inspectorate to be independent of its "benefactors"? In response to their requests the managers of the inspection service often hear this reply: "You don't belong to us—you are not under our jurisdiction. Why should we provide for you?"

Aleksandr Tikhonovich is convinced that this attitude comes from soviet executive committee chairmen being in the habit of taking the money necessary for local needs out of what is allotted from the state budget, obtaining it without great difficulty on their own part. Many of them until now have not taken the trouble to understand that the taxes collected by the inspectorate go into the local budget, so that the greater the sum taken in, the wealthier the local soviet, and the better the life of the territory. Once they were able to comprehend this, the soviets would look upon the inspectorates as their benefactors.

Needless to say, much will depend on the actions of Inspector Shcherbinin himself. Trained personnel have been and continue to be his major concern. The "command" he has assembled is a sizable one. In all there are 350 specialists, 290 of them stationed in the cities and rayons of the oblast. Some of them have come from the financial services; a number of others—the most experienced of them—have come from the People's Control Committee itself.

Are there too many or too few? Aleksandr Tikhonovich responded to this question by drawing a comparison. In the United States there are 120,000 tax service workers; in the USSR there are 52,000. It is proposed to expand this number to from 65,000 to 70,000 workers. Meanwhile, there are fewer inspectors than there were formerly at work in the financial departments.

The first thing done by the leaders of the oblast inspectorate was to require accreditation for a knowledge of the Law on Taxation. Incidentally, the procedure turned up some professional and personal weaknesses on the part of the cadres, which prompted additional study.

Nevertheless, study, experience, and work capability do not guarantee the inspector smooth sailing. From the time of the debate on the subject: "Do the enterprises need technical monitoring?" one may recall the phrase: "The conscience of the worker is the best monitor." Experience, meanwhile, has demonstrated that even the conscience needs monitoring, especially when it comes into contact with large amounts of money. Even tax inspectors feel the lure of it. Can each one of them resist the temptation? Aleksandr Tikhonovich made it clear that this is not an idle question in his business.

How can difficulties on this score be reduced to a minimum? Needless to say, by sifting the candidates for the role of inspector through the finest of moral sieves. It would not be out of place to make it a rule to require written recommendations from two or three people of the region, and to institute a competitive system for



filling positions. It follows that the position of inspector must be made an attractive one, and one of unquestionable prestige. How? Primarily, of course, through remuneration.

Aleksandr Tikhonovich noted with a wry grin that not a single manager of a city or rayon financial department now headed an office of inspection. Why? Auditing was notoriously thankless work. Some taxpayers, he said, were ready to unleash a dog on an inspector. As for compensation, a rayon inspector makes 220-320 rubles, while his superior makes about 420-460 rubles; whereas the clerks who work for cooperatives have salaries of 1,000-1,200 rubles. Auditors are also looked down upon. Some people are ready to pay a fine without official notice or a receipt for payment.

Can it be that the revenue return from inspectors is not worth a high salary? During the past year in one city block they uncovered 1,062 tax violations and confiscated an additional 5,228,000 rubles for inclusion in the budget. A yearly estimate of the pay for all inspectorates in the oblast does not exceed two million rubles. Had the inspectors been less conscientious, of course, the total amount confiscated would have been less, but because of their interest in enforcing the financial sanctions, the return was far higher than it would have been otherwise.

At issue, however, is the question: Is it permissible to have the amount of a fine dependent upon the desire or, even more to the point, the mood and temper of an inspector? To preclude the possibility of arbitrary judgment, Aleksandr Tikhonovich insists that it is necessary to arm the inspectorate with legal statutes the provisions of which may be interpreted without ambiguity. And what kind do they have today? On 19 June 1990 a letter was sent from the Ministry of Finance explaining the rights and duties of the tax inspectorate. It specifically states that an inspector is authorized to seize financial and clerical documentation, but under what circumstances it does not say. Furthermore, it is easy to confuse rights and duties. There are instructions in it that may be interpreted in three different ways.

Legislation governing the conduct of cooperatives is especially lacking in explicitness. What may happen as a result of such ambiguity the Tambov inspectorate discovered in a conflict with the Fakel Construction Cooperative. As everyone knows, construction cooperatives are tax exempt for the first two years of operation. But the inspectorate began to detect signs that Fakel was functioning as an enterprise with multiple specialization in a manner that was not subject to favorable treatment. Moreover, it served in the capacity of a middleman, which was a taxable form of activity.

After an investigation lasting a month and a half, the inspectors became convinced that the declarations by Fakel were untrustworthy and applied penalties about which Fakel lodged complaints. Within the inspectorate the opinion was expressed that the proportion of work as a middleman was not large, so it was hardly worth

penalizing them. Under such conditions, the inspectorate reasonably maintains, the Ministry of Finance should indicate precisely the amount of penalty that should be imposed. This is all the more important in that there are about 70 cooperatives like Fakel in Tambov Oblast alone.

As a person who grew up with the idea of social justice and struggled throughout his life to achieve its vindication in terms of finance, A. Shcherbinin feels—indeed, as you and I would—a sense of bewilderment and helplessness in his dealings with the cooperative form of ownership in its present form. Upon the expiration of the two-year grace period, for example, without having paid a kopeck in taxes, a cooperative, and not just a building cooperative, may transform itself into a small enterprise, and avoid paying taxes for two more years. Upon the expiration of this two-year grace period, it has the right to become a corporation, and once again pay no taxes for a two-year period. Where is the justice in this?

Over a six-month period the building cooperative had at its disposal R18.5 million in income. Out of this, R16 million went to pay for labor, and only R1.6 million went into the development fund. Is this not evidence of the fact that the cooperative is only interested in stuffing its pockets? Meanwhile, the economists in their elevated armchairs hypocritically sigh: Inflation is the cause. For the money accumulates more rapidly than the marketplace fills up with goods.

Moreover, this is going on not only here in Tambov, but all over the country. Let us talk with the director of the tax inspection service in Ryazan Oblast, A. Zhdanov.

"We are concerned with the very same problems," says Alexandr Ivanovich. "But in an even more acute shape and form. Here, the transport situation is even worse—so is the telephone service. In Novodervenskiy Rayon, they disconnected the inspectorate's telephone, saying: Let whoever created you provide for you. The quarters, you can see for yourself. Five supervisory departments have been assigned to the director, and there is no place to sit down."

Zhdanov is in agreement about the existing regulations. Here is a very recent example. The president's ukase on taxes was followed by a mass of documents, the most recent of which cancels out all the rest. Yet there is still no way to differentiate between the functions of the inspectorate and those of the financial organs. Many of the documents, in fact, flow through both channels.

"We feel as if the USSR Ministry of Finance had given birth to us and then left us on somebody else's doorstep," he added. "The republic Ministry of Finance is also silent."

So who will it be that ultimately determines the role of the tax inspection service in the table of organization?

**Uzbek Resolution on Commercial Bank Activities**

914A0457A Tashkent PRAVDA VOSTOKA in Russian  
6 Dec 90 p 1

[Unattributed report: "In the Ministers' Cabinet under the Uzbek SSR President: The Ministers' Cabinet under the Uzbek SSR President Adopts a Resolution on Organizing the Activity of Commercial Banks in the Uzbek SSR"]

[Text] In accordance with the Declaration on Sovereignty of the Uzbek SSR and for the purposes of carrying out uniform monetary policy in the republic, stabilizing monetary circulation, and improving credit-payment services to the population, given our entering into a market economy and bearing in mind the decision of the USSR Gosbank on this issue, the ministers' cabinet decreed the following:

On the territory of the Uzbek SSR, the activity of commercial banks and branches of these banks of other republics and regions is carried out only when they are registered by Uzbek Gosbank.

Before 1 January 1991, Uzbek Gosbank is charged with reregistering all commercial banks and branches of these banks of other republics and regions which are on the republic's territory. During this same time period, make proposals on the feasibility of their continued operation to the Ministers' Cabinet.

It is recommended that the Uzbek SSR procurator's office take concrete steps toward ensuring legality in the banks' activity, preservation of monetary means, and protection of the republic's economic interests. Inform the ministers' cabinet on the work underway every year in January.

## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Merits of Private Property Debated

#### Not Answer in Kemerovo Oblast

914B0119A Moscow SELSKAYA ZHIZN in Russian  
31 Oct 90 First Edition p 2

[Article by V. Uslanov: "Private Property: Is It Necessarily for the Good?"]

[Text] Kemerovo—The inclement day of 5 September turned into a holiday for Ivan Yefimovich Smolega, a resident of the village of Topki. By a decision of the Topki Rayon Ispolkom [Executive Committee], he was given a 50-year lease on the land that his father and grandfather had farmed in their time. A camera crew from the "Puls" program from Kemerovo TV arrived in the village for the occasion. The TV viewers of the Kuzbass saw a report on this event the next day.

By now, this episode in the life of villagers in Topkinskiy Rayon has faded into the past, but it has not been forgotten because it made happy only Smolega himself and, perhaps, Chairman of the Rayon Ispolkom G.P. Kuksin, who played quite a prominent role in this episode, setting an example of how "the urgent tasks of our time" should be accomplished.

It is a pity that "Puls" did not wish to hear the views of the villagers. It is also a pity that it "took out" of its reportage the moment when G.P. Kuksin, in a tone brooking no objection, demanded that Sovkhoz Director V.Ya. Maksimov comply strictly with all the wishes of I.Ye. Smolega, despite these wishes running counter to the interests of the sovkhos collective and to common sense. The TV viewers would have seen for themselves how the soviets take power through the familiar device of dictation.

I, an employee of the obkom [oblast party committee] press center, had a task of local significance: To determine what land was confiscated by the Bolsheviks from the father of I.Ye. Smolega, and how. This was stated resoundingly by the newspaper KOMSOMOLETS KUZBASSA on 30 August in the pictorial with the catchy title "Return to the Son the Land Confiscated From Him by the Bolsheviks." Despite the unsoundness of the journalistic trick being apparent anyway, some details had to be verified.

Ivan Yefimovich was surprised to read the headline in the newspaper.

He said: "Nobody confiscated my father's land. In 1932, he was the first one to file a petition to join the kolkhoz. They took him away in 1937. I do not know why. At first, we thought that it was because of the hides: My father dressed them and kept them in the attic. They took my father away and removed the hides."

Apparently, Ivan Yefimovich will learn what happened soon. At present, employees of the Kemerovo KGB Administration are working on this issue. So far, they have succeeded in establishing one thing: Yefim Filipovich Smolega was sentenced to five years. Therefore, as far as the pictorial in KOMSOMOLETS KUZBASSA is concerned, all that remains is to regret that the Bolsheviks who "confiscated" Smolega's land and who will be able to sue the newspaper for libel will not come forward. They, and thus the plaintiffs, have never existed. In all likelihood, this is what the editorial office hoped for when it published the item in the newspaper.

Of course, we could refer to the ethics of journalism and human integrity in our discussion of the article in this youth newspaper. However, this "moral" will accomplish nothing as far as the editorial office is concerned—it knew what it was doing. Besides, the "Smolega" theme, the fact of transferring land to private use, is much more important than journalistic fantasies.

The director of the Voskhod Sovkhoz was upset. He submitted to the will of the rayon executive committee, but he was distressed:

"How can I look the people straight in the eye now? We say that the opinion of collectives needs to be taken into account. What good are these words if we actually do not give a damn?!"

Later, when it was just the two of us, and the studio lights were no longer on, he expressed his doubts about the entire undertaking of distributing land and polarizing the people.

The director said: "Smolega was not the first or even the second to opt for leasing on our sovkhos. The family of Nina Nikolayevna Gonenko formed a lease team a long time ago. We gave her 37 cows, hayfields, structures for the cattle—in a word, everything the contract called for, and even a truck and a tractor on top of this. Initially, it went well, but the team is falling apart now. There is some friction in their family. Mikhail Libedinskiy is asking to go back to the sovkhos. Judge for yourselves: How far can one get on sheer willpower?"

Indeed, how far? Why do we disbelieve our fathers and stubbornly replicate their mistakes, going from one extreme to the other? After all, there was a reason why the people came together in collective farms and cooperatives on the eve of Soviet power. Perhaps, there was something else to it, in addition to the will of the dictator. Writer Yevgeniy Maksimov, a delegate to the 28th CPSU Congress, wrote on the same topic in SELSKAYA ZHIZN: "It has now become fashionable to curse collectivization. Here is a question: Why was it that not only old people and children had to beg in the countryside before kolkhozes, when they had land, but also young men and girl-brides?.. When the kolkhozes appeared the beggars disappeared. The kolkhozes helped poor families; they did not let such families starve or beg."

We started talking about beggars once again. It is quite possible that they will become a regular feature of our life. For example, here are messages coming from the Ukraine. As in many regions of our country, they have a large crop of grains this year—one ton per capita. However, little grain has reached state granaries. Having secured independence, the farms of the republic are selling grain to those who pay more. The Baltic republics are buying at 100 rubles per ton, and Moldova is buying at 50 rubles per ton. Cooperative members purchase large quantities of grain and subsequently resell it abroad. It is easy to surmise that, given this “commercial” approach to grain, we may end up without bread in winter. Incidentally, it is already in short supply, the bumper crop notwithstanding!

After all, this has happened before. The NEP [New Economic Plan] began with a famine, and it ended in one. Some people also remember foodstuffs allotment. Could it come to hungry people once again putting a stranglehold on the lessees? It will be good if it does not come to this. However, we need to think right now about what to do in order to prevent this from happening. At any rate, I think that at present it is not worthwhile to bang on the table heavy-handedly, as Rayon Ispolkom Chairman G.P. Kuksin did, and to forcibly “de-reinforce” farms, converting them into private operations unreservedly. Since we say that the people should shape their destiny and think about how they want to live and operate themselves, let them do it without pressure, even that brought to bear by soviet power.

#### Follow-Up: Self-Interest

914B0119B Moscow SELSKAYA ZHIZN in Russian  
17 Nov 90 First Edition p 1

[Letter in response to the article “Private Property—Is It Necessarily for the Good?” (31 October)]

[Text] The Ukraine has failed to fill state orders while at the same time it has sold grain on the side, even abroad, through cooperatives. What is going on? The Union Government is purchasing grain for hard currency while cooperative members are selling it to foreign customers. Is there really no law against this outrage? [Signed] T. Abdurashitov, Orenburg

#### Follow-Up: Cancel My Subscription!

914B0119C Moscow SELSKAYA ZHIZN in Russian  
26 Jan 91 p 1

[Letter by an unidentified reader in response to the article “Private Property—Is It Necessarily for the Good?” (31 October)]

[Text] Is V. Starodubtsev really taking control of your newspaper? Or does it reflect the thoughts and views of the CPSU Central Committee completely? It is incomprehensible just how private property is harmful to the collective. It appears to me that it is harmful first of all to the sovkhos director and his office because they know

that this will spell their peril if all the people run away from them, and idlers and drunks are all they are left with. You ought to call your newspaper a newspaper of the Agroprom [Agroindustrial Committee], that is, a newspaper of Communists, sovkhos directors, and so on. It does not reflect the interests of the countryside. I will be happy to subscribe to another peasant newspaper if such is published. Meanwhile, farewell to SELSKAYA ZHIZN!

[Signed] signature illegible, Dolgorukovo, Penza Oblast

#### Do Peasants Want Land?

914B0119D Moscow SELSKAYA ZHIZN in Russian  
8 Jan 91 p 1

[“Listen to the Voice of the Countryside”]

[Text] We resolutely support the aspiration of the president of our country, M.S. Gorbachev, to expand people’s power by holding referendums. At the same time, we cannot agree with his proposal to hold a universal referendum on the issue of private ownership of land. Our question is: Why should the destiny of land and those who plow it be determined by one and all, a majority of whom have a rather hazy notion of our breadwinner-land and those who farm it? We believe that this fundamental issue of our life should be resolved by the peasants, those who work on the land, rather than the entire people. Everyone else could participate in the referendum by casting nonbinding or advisory votes.

We did not come to this conclusion just recently, after the Fourth Congress of USSR People’s Deputies; we came to this conclusion much sooner, after the First Congress. In response to a call by the well-known agricultural “expert” N.P. Shmelev “to resolve to sell land,” which amounts specifically to bringing back private property, we wrote the article “A Peasant Referendum Is Necessary.” We sent it to many central newspapers, but not one of them published the article.

Why should this be a “peasant” referendum rather than a “universal” one? Let us recall the origins of our revolution. Land was transferred to those who farm it—in keeping with the revolutionary slogan “Land to the Peasants!”—by the Decree on Land adopted by the Second All-Russia Congress of Worker, Soldier, and Peasant Deputies. Consequently, those to whom land was given should be the ones to resolve the issue of the forms of ownership.

They might object: Why refer to the Decree on Land? They say that it has long become obsolete. The land given to the peasants by Lenin in 1917 was taken away from them by Stalin in 1929. Therefore, land became everyone’s, or more precisely, nobody’s. Therefore, the entire people may resolve the issues of using it or owning it.

It is not so. In 1935, after the Second Congress of Shock-Worker Peasants, land was returned to the peasants, to be sure, not all of them, but only those who worked on collective farms. As is known, an overwhelming majority of the peasants belonged to the kolkhozes by then. The fact that many kolkhozes were subsequently transformed into sovkhozes and other enterprises does not change this fact. The peasants did not lose the right to using land free of charge, which they were given in 1935, in the course of changes in the forms of economic operations.

There is one more reason to insist on holding a "peasant" referendum. In local peasant instructions, subsequently collated in the unified Peasant Instructions that became an integral part of the Decree on Land, the peasants came out unequivocally against private ownership of land. What is their opinion going to be now? A clear-cut answer will hardly be obtained if this becomes a universal referendum. The peasants will be in a minority.

Our doubts are based not only on presentations made by urbanites, such as N.P. Shmelev, and the fact that their point of view is extensively shared by the urban population which accounts for a majority in our country at present. There are also material grounds for our apprehensions. There are many "country-cottage residents" in the cities, i.e., owners of 0.06 hectares of land. Those wishing to acquire country cottages are still more numerous. As is known, country cottages have long been bought and sold.

We are not against buying and selling country-cottage lots. Private property in this sphere of land use should have been legalized and made lawful long ago, and the monitoring of these transactions should have been reinforced simultaneously.

At the same time, we are categorically against bringing back private ownership of land in the countryside. Along with us, many peasant lessees are of the same opinion. We know what the partial restoration of private ownership of land by the All-Russian Congress of Soviets in December 1921 ended in for the peasants, and we do not want another "great turning point."

[Signed] A. Gerdt, director of the State Farm imeni M. Mametova; N. Lazebnyy, brigade leader, chairman of the council of labor collective; and B. Fedorov, labor efficiency specialist, Tselinogradskiy Rayon, Tselinograd Oblast

#### **Follow-Up: Yes, Absolutely!**

914B0119E Moscow SELSKAYA ZHIZN in Russian  
9 Feb 91 p 1

[Letter in response to the article "Listen to the Voice of the Countryside" (8 January)]

[Text] To my mind, this is not the voice of the countryside but rather the whining of three bureaucrats who

express solely their own opinion and that of the lazy. After all, hard-working people have nothing to fear from either a market economy or private ownership, all the more so if taxation is of the kind decreed by Russia rather than Abalkin-style, which once again hobbles hard workers. If we switch to a market economy in the absence of private property we, the common workers, will starve to death. I am against the referendum in general; let individuals themselves choose how they want to farm the land. If they feel that they are up to the task of operating a peasant farm intellectually and physically let them work for the joy of it. Otherwise they can work for some screw tightened by our system. I appeal to the entire peasantry of Russia: Think hard about it, and if you still have energy and are not idlers, take the land and toil happily.

[Signed] Yu. Razov, Biysk, Altay Kray

### **POST-PROCUREMENT PROCESSING**

#### **Distribution Problems Aggravate Food Supply Situation**

##### **Abundant Harvest, Little Relief**

914B0118A Moscow GLASNOST in Russian No 7,  
14 Feb 91 pp 1-3

[Article by V. Viktorov: "Where Is That Bumper Crop?"]

[Text] **Official pronouncements about last year's bumper crop and, simultaneously, food store counters empty since last fall have left the people quite puzzled. How can this be? Who is at fault? Perhaps, the mafia had bought the entire crop before it was even harvested, and now is letting it rot? Or, perhaps, the problem is the government's incompetence? Or is it the apparat intrigues?..**

**Let us try to sort this situation out calmly, with figures and facts in hand.**

To begin with, let us look at the statistics. With all the complexity of problems inherited by our economy from the past, during the last five years the output of the basic types of agricultural production has increased. Gross grain harvest has increased in comparison with the previous five-year period by 16 percent calculated in annual averages; the production of meat in dressed carcass weight, by 19 percent; milk and eggs, by 12 percent; sugar beet, by 14 percent; and oil-yielding seeds, by 33 percent. In all these types of production—with the exception of sugar beets—last year's output exceeded the average annual output of the current five-year period, and the largest grain crop in the history of the country—218 million tons (after processing)—was harvested. In general, last year there were R147.7 billion (or 17 percent) more food products produced for people's consumption than in 1985. At the same time, the country's population during the same period of time grew only by 4 percent.



One does not have to be an economist to understand that the ratio between the rate of production growth and that of the population inspired hope that raw materials and food products resources—also taking into accounts the imports—were sufficient. Alas, it turned out to be a false hope. Why?

Several factors have had a negative influence on the food market lately: the general state of the economy; increase of the monetary mass in circulation; and people's insecurity in the atmosphere of the long awaited retail price increases.

Still, the most important factor is a widespread violation of the deliveries order and discipline. What stands in the way of bringing order into this? The answer, alas, is related to the situation that is already well known: The desire of some republic governments and a part of the leadership's people's deputies soviets to constantly demonstrate their independence from the center. At any price, even if it hurts the interests of the majority of their own population. These kinds of demonstrations are especially perilous for the state system of food supply that was established on the basis of interregional division of labor. As is known, the system assumes the formation of Union and republic stocks of grain, flour, and animal husbandry products. For instance, nine Union republics supply these stocks with meat and meat products, while practically all republics, plus Moscow and Leningrad, draw on them for consumption.

Starting from 1988, the discipline of deliveries to the all-Union central stock has sharply fallen. Disruptions in food shipment have become commonplace. Most worrisome is the supply of grain products. Because of shortcomings on the part of the authorities in Ukraine, Kazakhstan, Bashkiria, Altay Kray, Orenburg, Saratov, Volgograd, Kurgan, Omsk, and a number of other RSFSR krays and oblasts, last year the state central stocks came out short 18 million tons of grain! For comparison: In 1978, the harvest was more or less the same; yet, 96 million tons were sold to the state, while this year it was only 68 million. Here is an answer to the question: Why, with the apparent sufficiency, we have to resort again to imports.

The 1990 plan for interrepublic deliveries of grain, flour, and cereals has been fulfilled by the Russian Federation by only 73 percent; Ukraine, by 74 percent; and Kazakh SSR, by 57 percent. Total shipments of grain products to other republic and oblasts fell short by 5.4 million tons. Enterprises in the mixed feeds industry are idling. Large animal husbandry complexes and poultry factories are in a very difficult situation. As a result, the production of meat and eggs is falling, and there are interruptions in the production of bakery goods. What is a peasant to do? How is he to feed the livestock? The production of bakery goods in the rural areas of Smolensk, Bryansk, Ivanovo, Nizhniy Novgorod, Vladimir, and some other oblasts has reached 390 to 450 kg a year per capita (the average per capita consumption in the country as a

whole is a little more than 100 kg); I think it is clear what the bread is used for in these areas.

Another major problem involves shipments of animal husbandry products. Thanks to the "fighters for economic independence," public consumption stocks came up 625,000 tons in meat products and was short 1,089,000 tons in dairy products. These delivery obligations were not met respectively by: Ukraine, 125,000 and 250,000 tons; Belorussia, 70,000 and 64,000 tons; Kazakhstan, 86,000 and 11,000 tons; Lithuania, 36,000 and 227,000 tons; Latvia, 30,000 and 83,000 tons; Estonia, 24,000 and 112,000 tons; and Russia, 249,000 and 340,000 tons, largely due to reduced deliveries from Tatariya, Bashkiriya, Volgograd, Orenburg, and Rostov Oblasts. Even in some places where state purchases increased—for instance, in Smolensk, Kursk, and Penza Oblasts—deliveries of meat to the Union-republic stocks shrunk.

It was not hard to predict what would be the results of such irresponsibility by the partners. Deliveries of meat and dairy products to Moscow fell by, correspondingly, 4 and 1 percent; to Leningrad by 3 and 5 percent; to Sverdlovsk Oblast by 9 and 9 percent; to Chelyabinsk by 14 and 4 percent; and to Tyumen by 4 and 6 percent. Despite a signed agreement on deliveries, the obligations for this January have not been fulfilled by the republics in practically all respects. Today the population of large industrial centers can realistically count only on the efforts of the central government to move the reserves around and on additional imports. Decisions to this effect have already been made in regard to Leningrad, Kemerovo Oblast, Nizhniy Tagil, and Sverdlovsk. The state reserves are not limitless, however.

While the local power organs debate the center's "intrigues," interregional deliveries of food products are being disrupted nationwide: thousands of refrigerated boxcars with perishable cargo are idling at the railroad stations and the goods from warehouses and refrigeration and storage facilities are being pilfered. Instead of urgently taking measures to improve the situation in the consumer market, some soviets are only concerned with how this situation can be used to compromise the activities of the central organs and the CPSU, on the principle of "the worse the better."

Where is the way out? What organizational and practical steps towards normalization of the food situation in the country should be taken, and what is already being done? All of that is convincingly presented in the president's report and the concluding statement at the Fourth Congress of the USSR People's Deputies. Presidential decrees and Union Government resolutions directed at the improvement of food situation in 1991 have been adopted. All that remains is that the republic governments, people's deputies soviets, economic structures on all levels, and public organizations implement them. And, first of all, the discipline of the food deliveries should be decisively strengthened.

This issue was discussed in the middle of January at the CPSU Central Committee Secretariat meeting. It was agreed that it is exceedingly important to provide the necessary political support to the measures adopted by the USSR Supreme Soviet, the president, and the government. The party committees are working in this direction, but civic consensus, honest labor, responsibility, and discipline would help in reaching this goal. And, of course, the realization that only through cooperation can one ensure reliable food supply to the working people in all regions.

### Kazakhstan Grain to RSFSR?

914B0118B Moscow LITERATURNAYA GAZETA  
in Russian No 8, 27 Feb 91 p 2

[Report on interview with Kazakh SSR President Nursultan Nazarbayev, by LITERATURNAYA GAZETA staff correspondent A. Samoylenko; place and date not given: "Who Is Feeding Russia, After All?"]

[Text] Last year, the harvest of Kazakhstan's crops coincided with the republics' "parade of sovereignties." In this euphoria, it somehow was forgotten that "the planet of a hundred tongues" has always been an all-peoples granary, and that it would be good for all the peoples to help it with the harvest. LITERATURNAYA GAZETA published an article at that time: "Whose Grain Is Growing in Kazakhstan?" In this article we attempted to figure out why Kazakh SSR was facing a real danger of dealing single-handedly with a huge crop and what the future of the virgin lands may be if the republics interpret sovereignty as an opportunity to lock themselves up in their own borders.

The big grain in Kazakhstan was, however, harvested. Recently, though, this topic has developed an unexpected twist.

On February 20, in his interview on Central Television, Prime Minister Valentin Pavlov said that bread stocks in some areas of Russia have only two to three days reserves, while Kazakhstan is holding back the grain. And that only after a telephone call from USSR President M.S. Gorbachev to the Kazakh SSR president did the republic start shipping the grain... In other words, that the crisis in the RSFSR was created by Kazakhstan.

Our staff correspondent in Kazakhstan A. Samoylenko asked the republic president to explain this.

"Kazakhstan has harvested an enormous crop," said Nursultan Nazarbayev, "out of which 14.7 million tons belongs to the state. Of this, Kazakhstan was permitted to keep 6.6 million tons to 'feed itself.' The other 8 million tons we were supposed to ship outside of the republic. This is the arithmetic of this issue and Pavlov could only speak of these 8 million tons. Only four months have passed since the end of the harvest, but half of the 'outside' grain has already been shipped from Kazakhstan. So what kind of 'holding back' are we talking about?"

"Nor should we forget that after the harvest Kazakhstan starts what amounts to a second harvest: Gigantic volumes of grain need to be dried, brought up to milling condition, moved from the threshing floors to the railway stations, loaded, and shipped... Transportation networks and capacities that exist today only permit processing and shipping outside the republic of up to 1 million tons of grain a month. It is strange that all of a sudden there is a need to explain such self-evident things.

"It is clear to everybody that we are delivering grain not to some abstract center, but to the Union republics to specific destination points. I am speaking of it because Kazakhstan has entered direct agreements with the RSFSR, Ukraine, Belorussia, Azerbaijan, and the Central Asian republics. Were we holding back the grain, it would be logical that we would hear from the republics themselves. However, we do not have a single complaint from our contractual partners in regard to grain shipments!

"If the Union Government does not have at its disposal objective information on grain shipments from Kazakhstan, we will be happy to supply it. If such information is available, however, but the talk about Kazakhstan's dishonorable behavior nevertheless continues, it makes us think of some politics that is unbecoming for the head of the Union Government.

"What is more, one should not create the appearance that the USSR president is the one who hammers out grain for Russia from Kazakhstan, while it is we who are responsible for the empty store counters in Russia."

## MACHINERY, EQUIPMENT

### Unresolved Machinery, Equipment Problems Constrain Private Farming

#### Appropriate Equipment Lacking in the Ukraine

914B0087A Moscow SELSKAYA ZHIZN in Russian  
14 Nov 90 First Edition p 2

[Article by N. Taranchenko, Ukrainian SSR: "Horned Torturer/ Where is the Small Equipment for the Peasant Farmstead?"]

[Text] Whether we want it or not we will probably have to create a museum for the administrative-control system. If this is done the walls of one of its sections will have to be pasted up in resolutions of the highest order concerning the production of equipment for the "small" mechanization of agricultural operations. You tend to become very engrossed in the inexorable-decisive style of these documents! "To oblige," "to provide," "to develop and propose"... One receives the impression that from such invocations motorized units, small tractors and harvesters will spring forth from inanimate rock...

According to a past resolution of the CPSU Central Committee and the USSR Sovmin [Council of Ministers] in 1981-1985 the Kuttaiskiy Small-Tractor Plant imeni Konstitutsiya SSSR production association was to develop capacities for the production of small mechanized equipment. What didn't the resolution promise—mechanized units with a capacity of 5-7 horsepower and small tractors. But where are they?

It is possible that the writers of the resolution have forgotten about their creation, but our reader has not. Ten years later A. V. Ovcharenko of Cherkassy Oblast tells us that he heard that Kuttaiskiy Plant is the licensed producer of the Super-600, an Italian motorized unit. What is this machine and where can it be purchased?

I will not attempt to answer because I also only heard...

Yet how much hope there was...Letters would occupy more than one display case in the museum. Those that came a decade ago, when the aforementioned resolution appeared were followed by newspaper reports about tests of the first domestic motorized units. This was the name given to the self-propelled equipment—a motor on two wheels, and the third, the main support, the plowman himself, holding the machine like a bull by the horns.

How happy our peasants were with the motorized units! The Ukrainians called them "gorbokonyk" (Konek-Gorbunok) [The Little Humpbacked Horse, from a children's story] and affectionately, "little tractor." It is not hard to understand the simple workers. After putting in a day's work at the kolkhoz or sovkhoz they had to take a shovel, a scythe or a rake into their hands. A letter from that time states: "I wish they would sell those motorized units sooner, because when I think about the fact that in the fall I will have to turn up the garden with a shovel chills run up and down my spine..."

The letters attest that mini-technology for the garden was looked forward to first and foremost by older peasants who had spent their entire lives stooped over their shovel. Now their hands and backs were understandably not the same, but their desire to be useful had not been extinguished. Most importantly, they wanted to feel the joy of working highly productively. Some had not waited in vain, and actually acquired domestic mechanized units.

Of all of our mechanized units the most successful was the MTZ-0.5 from the Minsk Tractor Plant. It is true that it was earmarked for light Belorussian soil; using it on chernozem or loamy soil was difficult. Incidentally, Minsk Tractor Plant immediately stipulated conditions—it would manufacture motorized units to meet the needs of its republic. Now, they say, it has begun production "for export." In any case, the Ukrainian cooperative union is expecting to receive something this year...

The defense industry has also been directed to manufacture motorized units. Thus MB-1's produced in Lenin-grad and Perm have appeared. Lucky owners have

already toiled with them! Testers noted that their main shortcoming copied from the inexpensive foreign model of the MB-1 was the undependable V-belt transmission. But the problem turned out to be global, especially involving the casting and metal.

I will provide a characteristic letter. War and labor veteran A. S. Tunik of the village of Medvin, Beguslavskiy Rayon, Kiev Oblast, reports how the constant repairs and refashioning of the MB-1 motorized unit from the Perm Plant imeni Sverdlov ended up with the creation of a four-wheel self-made...tractor. Only the gearbox remained of the original motorized unit! It is a good thing that Anton Stepanovich is handy, but what about the rest of those who were enticed by the MB-1? After all, even its guaranteed repair is pure suffering—this piece of metal must be loaded who knows on what, lugged to the oblast center, and there it will turn out that there are no replacement parts for the machines that have broken down and that the manufacturing plant does not produce them...

And so the motorized units—the "horned torturers," as colorfully named by Ya. S. Chaban of Cherkassy Oblast—rust under sheds. Why did even the necessary matter of producing small equipment, blessed by the resolution, result in such "horned torturers"? It turns out it has nothing to do with whether the selection of designs was successful or whether manufacturing was done with quality. Discredited is the very principle of having the center decide for the peasant when the latter is to plow and sow, when and what to milk and what equipment to work with. Only in the song is it true that "from above one sees everything." This is what happened to the mechanized unit. Now it would be impossible to find out who it was that decided that the peasant household needs not a small tractor but a "horned" motorized unit with a capacity of no more than 6-8 horsepower.

One thing that is comforting is that life does not stand still. Two small KhTZ-0.8 tractors came to the UkrNI-IMESKh [Ukrainian Scientific Research Institute for the Mechanization of Agriculture] near Kiev. Everyone who saw them was ecstatic—this was exactly what was needed! Four wheels, a seat, a 10-horsepower motor and a hydraulic system. It turned out that the KhTZ was first to break the ice of stagnation in the manufacture of smaller tractors. Those at the plant know how essential these small ones are! For four years now their manufacture has been in the planning stages...

Of course this is not a simple matter—capacities, facilities and parts producers are needed. We are also not assured by the recent information from the UkSSR Sovmin concerning the fact that this year the KhTZ will manufacture 2,000 T-0.8 tractors, and in 5 years—50,000. We are worried about something else—because of the hurry will the T-0.8 have the right components? What about quality? But it is not only in Kharkov that people are thinking about the real needs of the farmstead.

I receive a telephone call from Sergey Gusakov, indefatigable tester of small equipment and junior scientific worker of UkrNIIMESKh. It turns out that in Ivano-Frankovsk at Karpatagromash Plant a small Prikarpatets has been developed. Is it a regular "horned" machine? No, Gusakov assures us, this is the only mini-tractor we have that really plows...

The energetic director of Karpatagromash, I. V. Zagranovskiy, made a desperate attempt to unify everyone who wanted to work in the new manner. He developed a successful pivotal small tractor design for which a large mass is detrimental. It was thought to have the tractor manufactured by a firm in order to have everything in the hands of one group—development, production and service. For giants this is an unsolvable problem, but Zagranovskiy wishes to develop a cooperative network of small enterprises around the plant on the base of the present rayon RTP [Service and Repair Enterprise]. It is an enticing and modern idea. After all, it is possible to alter such production more easily and flexibly for the production of new goods.

If it becomes possible to implement this idea, then our monopoly—the tractor industry—might have a real competitor. But already now I. Zagranovskiy and his supporters are being subjected to serious opposition from bureaucrats—the republic agroprom [agroindustrial association] is holding the initiative firmly in its hands. Can it be that this time too, bureaucratic solidarity will be victorious?

When you are moving along an uncharted course it is important to know the final goal as well as where you are at any given time. We, having begun the discussion about small equipment, must also determine what level we find ourselves at. For all practical purposes we are at zero level since we are concerned about draught animals—the motorized unit and the small tractor. But they are only a part of the enormous and specialized complex of machines and units that are essential for small highly productive enterprises which must appear here in accordance with the new laws about property and land. Thus everything lies ahead of us. This is why we should hurry at least with the small tractors so that our farmers and leaseholders will have dependable helpers and not "horned torturers," the place for which is in the museum of stagnation.

#### Hand Tools Won't Do

914B0087B Moscow SELSKAYA ZHIZN in Russian  
12 Jan 91 p 1

[Letter to the editor by T. Romanov, settlement of Rakhinya, Dolinskiy Rayon, Ivano-Frankovsk Oblast: "Horned Torturer" (14 November)"]

[Text] Dear Editors. Yes, you like no one else must regularly write about this for the entire country to know. You must write, criticize, work to make changes. Peasants are being given land! What for—what are we going to do there? All we can do is pasture livestock. Where is

the equipment? In villages there is nothing with which to move manure into the garden. Yes, no one will feed us and we will not do anything good with choppers, scythes and shovels. Thus demand from the government everything that must be done. I myself don't know how to write this because I want to cry from anger. I am a metal worker, live in a village and am 46 years old.

#### RSFSR Situation Lamented

914B0087C Moscow SELSKAYA ZHIZN in Russian  
27 Nov 90 First Edition p 1

[Letter to the editor by N. Shcherbakov, machine operator, Iskitimskiy Rayon, Novosibirsk Oblast: "Maybe We Should Sell Our Souls!"]

[Text] In the week of 19 to 25 November the editors received 2,365 letters. We received three responses to our critical articles and 86 reports from various organizations concerning measures that have been taken.

In my 58 years I have withstood all kinds of ills—the occupation during the war, a children's dormitory and service in the fleet. Now, looking back and thinking about the future, I would like to address an open letter via the newspaper to A. Sobchak, USSR people's deputy, concerning his speech. I am sure that thousands of machine operators and repair workers will agree with my letter.

Respected people's deputy! With great attention I listened to your speech on the radio concerning what you want to do with the Leningrad free trade zone. I cannot enter into a dispute about this; you in your position know more about it. But I was personally upset about the fact that for the immediate advantage (and will it really be that?) you are ready to sell tens of thousands of tons of high-quality steel abroad! Who gave you this right? You are the ones who decided this and most likely have never held anything in your hands heavier than a pencil or a pen.

Can it be that you really think that you will feed Leningrad with the dollars you receive from the sale of steel? After all, this is a bluff, a direct trickery of the people who trust you. You are a clever, intelligent, statesmanlike man. Why can't you see what is going on around you? Agriculture has not provided Leningrad with vegetables and food products. I agree. But now let's speak honestly. You are a city resident and I am from the village. The harvest was a rich one in all of Russia, including around Leningrad and Moscow. In these two cities alone about 20 million people were unable to help the peasant harvest the crop. Whether a lot or a little produce went back under the plow is something you as a deputy know better than I.

Yes, in agriculture here the technology is bad, we have no spare parts, no metal—no round, cubic, corner or sheet metal. A tractor loses a bolt and remains idle for 5-6

hours. There is nothing out of which to make a bolt, a nut or a collar. And you, instead of helping the village, are sending metal abroad.

What is the machine tool fleet like in the village? Perhaps you will see such machine tools somewhere in Vtorchermet. Yet we are forced to work with them, to manufacture and restore parts in order to have operable equipment. It is time for our machine tools to celebrate their birthday—they are of the same age as our first five-year plans.

In Leningrad tens of thousands of tons of high-quality steel has accumulated. Unwillingly a question arises—where has it come from? I worked in the Baltics and do not remember that there were mines or metal plants in Leningrad. This means the metal came from the union fund. Some that was saved? But Gosplan calculates down to the gram! Or am I not correct? And you are happy to get rid of the metal even though you know that half of our equipment is in the repair shop. Before us is another sowing season and once again machine operators will be burrowing in dumps looking for metal. A Kirov plant supplies us with its machines and I am sure you do not know how much repairs cost us. There is no special fuel and the Kirovets stands idle. I am not even talking about the price that has been set.

Naturally you will not be able to help all of Russia, but you can at least help your peasants in Leningrad and Novgorod oblasts with machine tools and metal. I propose that the sale of metal be removed from the agenda completely. Otherwise we will gather signatures for legal criminal action in this matter. We have had enough of being pawns.

So that's the way it is, fellow Slavs! I hope that the respected deputy provides a detailed response in the newspaper.

#### **Follow-Up: Material Help Needed**

914B0087D Moscow SELSKAYA ZHIZN in Russian  
12 Jan 91 p 1

[Letter to the editor by I. Nurkov, city of Volsk, Saratov Oblast: "Maybe We Should Sell Our Souls!" (27 November)"]

[Text] I have spent my entire life in the village, have worked in the kolkhoz and know very well how difficult it is for a peasant to earn a piece of bread. The government, the party and the Soviet people understand very well that village workers need ongoing material aid. Only in this way will we solve the problem of supplying the population with agricultural products. Comrade Sobchak will not be able to feed Leningrad residents by

means of trade in metals, meetings, demonstrations or criticism of the country's government. I am sure that A. Sobchak has not even thought seriously about helping the village to complete the harvest.

#### **Follow-Up: More Help Needed**

914B0087E Moscow SELSKAYA ZHIZN in Russian  
12 Jan 91

[Letter to the editor by S. Usachev, machine operator, Bogucharskiy Rayon, Voronezh Oblast: "Maybe We Should Sell Our Souls!" (27 November)"]

[Text] We always expect something important after every session of the Supreme Soviet. We have seen many new laws, but nothing has changed noticeably in our lives. Here is what is of special concern to us. The harvest we raised was a fair one, but village workers alone were not capable of harvesting it, even if our equipment had been operational. But city dwellers want the ready product handed to them in stores; many would not consider helping. We are experiencing an acute shortage of manpower, not of advice.

Everyone speaks beautifully at the long sessions but matters do not move beyond flowery speeches.

#### **Follow-Up: Higher Skill Level Required**

914B0087F Moscow SELSKAYA ZHIZN in Russian  
19 Jan 91 p 1

[Letter to the editor by N. Sakadynskiy, retiree, Kolyvanskiy Rayon, Novosibirsk Oblast: "Maybe We Should Sell Our Souls!" (27 November)"]

[Text] We began to produce more steel than any other country in the world. Only we don't know how to distribute it in a managerial way. Look at how much metal is lying around in the fields, in yards, in forests. And how do we operate agricultural equipment? Abroad our Belarus tractor works for 20-30 years. And what about here? I have seen how a so-called machine operator drives our tractors without carrying out technical servicing until a wheel falls off, the engine fails or something else happens. This is why we need so many tractors, shafts, axles, bearings, bolts, nuts and so forth.

Our country produces more tractors than anyone else, yet we keep having a shortage. We keep asking the government to give us more tractors, combines, bolts, nuts and quality steel!

We ourselves, beginning with machine operators, should increase our professionalism, competence and work quality. And also our conscience, of course. Our lives would be easier and richer.



## POLICY, ORGANIZATION

**Consumer Co-Op Changes Under Marketization Described**

914D0157A Moscow SELSKAYA ZHIZN in Russian  
20 Feb 91 p 2

[Interview with Tsentrosoyuz Chairman P.S. Fedirko by N. Zuyev: "The Market and Consumer Cooperatives"]

**[Text] The conditions of the work of consumer cooperatives are undergoing fundamental change with the transition to market relations. TASS correspondent N. Zuyev talks about this with Tsentrosoyuz Chairman of the Board P.S. Fedirko.**

[Zuyev] Pavel Stefanovich, consumer cooperation is now experiencing difficult times. How can this be explained?

[Fedirko] There are many problems. But perhaps the main one is that until now consumer cooperatives have not been given the necessary independence. It is well known that for many years the statutory rights of cooperative organizations were grossly violated. Property was taken away through decisions from above and the sphere of action was artificially narrowed. For many years, the influence of centralized plans and various instructions was extended to cooperatives.

Even with the passage of the USSR Law "On Cooperation in the USSR," local authorities are continuing to tell cooperators how to work and are imposing their own decisions. Direct ties with industrial enterprises and producers of agricultural output are developing poorly. With the transition to market relations, it is necessary to change the situation fundamentally. Real possibilities are now being established for a revival of truly cooperative and democratic principles in the work of consumer cooperatives and for the active development of their inherent economic initiative.

[Zuyev] Cooperators owe a lot to villagers. According to available calculations, the demand of the population served by consumer cooperatives is not being satisfied by more than 40 billion rubles.

[Fedirko] This is the sad result of the weak development of the production of consumer goods, poor discipline in deliveries, and the striving of enterprises for barter in kind. A role is also played by the outstripping increase in the money incomes of the population in comparison with planning estimates.

There are also our internal matters. It is more and more difficult to develop the procurement and production activities of consumer cooperatives and this accounts for about half of their entire retail commodity turnover in food products. Basically this has to do with the limited

resources of agricultural output, the unsatisfactory provision of processing enterprises with raw materials, supplementary materials, and industrial equipment, and with the inadequacy of the system for the setting of purchase and retail prices.

[Zuyev] The consumer cooperatives have gained considerable experience in working under the principles of cost accounting and self-financing. To a considerable degree, this guarantees a stable financial position for the system.

[Fedirko] Of course. The situation can change, however, under the conditions of the transition to market relations. After all, for many years we put our own assets into the development of the material-technical base. The basic assets of the branch are 83 percent own assets and 17 percent borrowed. In terms of working capital, this relation is different—own capital makes up about 30 percent and 70 percent comes from loans. It is for this reason that such a measure as the raising of interest rates for the use of bank credits is causing the greatest difficulties for the organization of consumer cooperatives.

There is much that we have to do to establish the necessary stability in the transition to market relations. On the basis of the development of commercial principles, freedom of enterprise, and the use of new forms of management, it is necessary to increase the volume of work and accordingly of received income and to raise the shared participation of own assets in the sources for working capital.

[Zuyev] What is being done to normalize the consumer market? After all, the needs of the rural population for goods and services are not being fully satisfied.

[Fedirko] To increase commodity resources, it is above all necessary for us to invigorate the work of the wholesale link substantially and to establish the conditions for the active participation of wholesale enterprises of consumer cooperation in the country's consumer market. They are getting the opportunity to carry on their own work without being restricted by any administrative or territorial boundaries and to have the freedom of commercial risk and enterprise. Wholesale enterprises and associations must become equal partners of industry, establish direct contractual ties with enterprises, and exert a permanent influence on the expansion of commodity production and the improvement of its quality.

It has been decided to make even more active use of wholesale fairs and commodity exchanges to build up commodity resources. The consumer unions can act as founders and participants in commodity exchanges that can also be established in the system of consumer cooperatives. Commercial information centers are established for the development of interrepublic and interoblast trade ties. They will exchange information, observe the movement of prices, and provide marketing services.

The organization of retail trade is also being improved. A supplemental trade network is now being established

under the conditions of family and individual labor activity and the lease contract is being introduced widely.

There are now more paid services in the rural areas but this still does not resolve many problems of rural inhabitants. We will provide new kinds of services for them. They are primarily aimed at the owners of private plots and peasant farms and lessees. They include the repair and maintenance of equipment and horticultural implements, the leasing of equipment, and building-repair, transportation, and other services.

[Zuyev] Apparently the procurement and processing branch of consumer cooperation is also called upon to make a significant contribution to improving the provision of the population with goods?

[Fedirko] Certainly. Beginning this year, we plan to keep all resources of commodity production purchased from the population for sale through a cooperative trade network at kolkhoz markets. This will make it possible to establish a kind of "commodity intervention" in fruit and vegetable produce and to knock down the prices of private owners and second-hand dealers. An exchange of information is being organized on harvest forecasts, the state of supply and demand, and prevailing prices in individual regions of the country.

We are seeking new approaches to the development of contractual relations with producers of agricultural output. The primary incentive to sign contracts will be the guarantee to the owners of private farmsteads that they can sell all they produce with a set low level of purchase prices regardless of the existing market conditions. It is also time to have a greater differentiation of contract conditions. It is necessary to provide in the contracts not only for delivery volumes and the level of prices for individual kinds of produce but one should also not neglect questions in the provision of young livestock and poultry, planting material, mixed feeds, fertilizers, and packaging materials to those delivering output. It is also necessary to continue to develop the processing of the individual output supplied by customers and to sell industrial goods in high demand to those delivering produce.

[Zuyev] Pavel Stefanovich, what are the directions of the development of cooperative industry under the conditions of market relations?

[Fedirko] The main direction is the establishment of an extensive network of small enterprises with a flexible production structure adapted to the requirements of prevailing market conditions. For this purpose, it is necessary in the coming years to resolve the task of establishing sausage, canning, candy, nonalcoholic, and other shops in each rayon taking into account its specific economic conditions.

Reserves for increasing the volume of output of the branch include the reconstruction and technical reequipping of the material-technical base, the more complete

utilization of capacities, the improvement of the machine shift coefficient, and the expansion of the network of production cooperatives. We will have to increase significantly the independence and cost-accounting bases of the work of industrial enterprises.

## FOOD PROCESSING, DISTRIBUTION

### Draft Law on Consumer Protection

914D0164A Moscow IZVESTIYA in Russian 2 Mar 91  
Union Edition p 4

[Draft Law on Consumer Protection under the rubric: "This Is Being Published in Accordance with the February 27, 1991 USSR Supreme Soviet Resolution": "DRAFT Law of the Union of Soviet Socialist Republics: On Protection of Consumer Rights"]

[Text] This Law defines the general legal, economic, and social foundations for protection of the rights of citizens who are product consumers.

For the purpose of this law, the following concepts are employed:

"Product"—goods, work, and services;

"Consumer"—a citizen who uses, acquires, orders, or has the intention of acquiring or ordering a product for his personal needs;

"Manufacturer"—an enterprise, organization, institution, or citizen who manufactures goods for sale;

"Executor"—an enterprise, organization, institution, or citizen who performs work or who renders services;

"Seller"—an enterprise, organization, institution, or citizen who sells goods according to a purchase-sales contract;

"Contract"—An oral or written agreement between a consumer and seller (executor) on the quality, time period, price, and other conditions on which buying-selling, work, and services are carried out.

A contract may be completed using a sales slip, goods receipt or other written documents. Contract terms are conveyed in the documents indicated or in information about the product that is stipulated in Article 12 of this Law;

"State Standard"—The USSR State Standard, a republic standard, construction standards and regulations, state pharmacopoeia and interim pharmacopoeic articles on medicine; and,

"Standardized technical documentation"—The state standard, an enterprise standard, technical conditions, technical descriptions, formulas, and other documentation that consolidate product quality requirements.

**Section 1. GENERAL PROVISIONS****Article 1. Consumer Rights Protection Legislation**

Consumer rights protection legislation consists of this law and other USSR and republic legislative acts promulgated in accordance with it.

Consumer rights and the mechanism for their realization can be regulated by USSR Cabinet of Ministers and republic Councils of Ministers resolutions only in the cases that are directly indicated in this Law and in other legislative acts.

USSR and republic consumer rights protection legislation cannot limit consumer rights or reduce guarantees of their protection in comparison with the guarantees that are established by this Law.

**Article 2. Employment of One Republic's Consumer Rights Protection Legislation in Another Republic**

1. One republic's consumer rights protection legislation is employed in another republic in accordance with the following regulations:

to relations that result from the implementation of consumer rights on information, product quality, the exchange of proper quality goods, and also consumer rights in the event of the sale of inferior quality goods to him or when contract terms on the performance of work or on rendering services are violated, the law is applied where the person who acquires the product lives, unless something else is prescribed by law or by agreement of the parties;

to relations that result from the implementation of consumer rights to safety of life and health and also to obligations that arise from injury caused using a product of inferior quality, the law is applied at the location where the dispute is being reviewed or, according to the consumer's petition, the law is applied at the location where the injury was inflicted.

2. If an inter-republic agreement (treaty) stipulates other regulations for the application of one republic's laws in another republic, the regulations of the inter-republic agreement (treaty) apply.

**Article 3. International Treaties**

If an international agreement (treaty) in which the USSR participates establishes other regulations than those contained in USSR consumer rights protection legislation, the regulations of the international treaty apply.

**Section 2. Consumer Rights and Their Protection****Article 4. Consumer Product Rights**

Each consumer has the right to:

a guaranteed level of consumption;  
proper product quality;

product safety;

complete and reliable information about a product;

proper quality of trade or other types of service;

appeal to a court or other empowered state organs; and,

association in public consumer organizations.

**Article 5. A Guaranteed Level of Consumption**

1. All citizens of the USSR, regardless of income level, have the right to obtain material wealth and services within the selection and volumes of the scientifically-based minimum level of consumption (a guaranteed level of consumption).

A guaranteed level of consumption and the minimum income level that corresponds to it, the procedures and time periods for their review, and also steps to provide them are annually prescribed by USSR and republic legislative acts when the corresponding state budgets are approved.

2. The republic Councils of Ministers and executive committees of local Soviets of People's Deputies are obligated to provide:

the opportunity for all citizens to acquire goods and services in volumes that correspond to the guaranteed level of consumption and at prices which have been used to determine the minimum income level; and,

payment of compensation to citizens whose monetary incomes are lower than the minimum level prescribed.

3. Protection of the rights of citizens which are prescribed in Paragraph 2 of this article are implemented via the judicial process in accordance with a citizen's or public consumer organization's application.

While satisfying the demand according to the application on the acquisition of goods and services in accordance with the guaranteed level of consumption, the court renders a decision on the execution of the given obligations in kind or, in the absence of the possibility of performing these obligations in kind—on payment of monetary compensation in an amount that insures acquisition of the prescribed quantity of goods and services at free prices.

In the event of a failure to perform or inferior performance of obligations that result from Paragraph 2 of this article, the guilty officials are subject to administrative fine in an amount up to 2,000 rubles as imposed by the court.

When indications of a crime are discovered in the activities of officials, the court reports this to the procuracy or brings a criminal suit.

**Article 6. Proper Product Quality.**

1. A consumer has the right to demand that the quality of a product acquired or ordered by him corresponds to the

mandatory requirements of state standards, contract conditions, and also to information on its consumer characteristics that has been presented by the seller (manufacturer or executor).

2. A manufacturer (executor) is obligated to provide the opportunity to use the product (including complete items) during the service period (service life) for this product that has been prescribed by standardized technical documentation or by the contract.

For this purpose, the manufacturer is obligated to insure the manufacture and delivery of required numbers of spare parts for the product into the trade network, its technical servicing and repair throughout its production life, and also during the product service time period after the product is removed from production or, if there is no such period—for 10 years.

During the time periods indicated, the seller is also obligated to insure that required spare parts are available for sale to the consumer.

3. Consumer losses that are caused as a result of a manufacturer's or trade organization's failure to perform or inferior performance of their obligations are subject to full reimbursement.

#### **Article 7. Consequences of Selling Goods of Inferior Quality**

1. When a consumer discovers defects in goods during the warranty period or service life or, if there are none, during time periods prescribed by republic legislative acts or by contract, the consumer has the right to choose to demand either its replacement with identical goods of proper quality, with other goods from the available selection with the corresponding recalculation, by a proportionate reduction of the goods purchase price, the elimination of defects in the goods free of charge, reimbursement for the consumer's losses to eliminate the defects, or abrogation of the contract and reimbursement for the losses incurred.

Warranty periods are prescribed by standardized technical documentation or by the contract and are calculated from the date of sale of the goods, and the service life—from the time of manufacture.

2. A consumer can choose to make demands that result from Paragraph 1 of this article to either the seller of the goods or to his representative.

In accordance with the types of goods sold, state trade organizations and consumer cooperative trade organizations that are not goods sellers carry out the functions of trade organization-seller representatives of the appropriate trade systems.

Trade organization-seller representatives, based on other forms of property, are trade organizations created by them that carry out the sales of goods of the corresponding type. A consumer has the right to demand that

the manufacturer or organizations created by the manufacturer to repair or service his goods or who repair or service them based on a contract with the manufacturer replace goods, eliminate defects free of charge, or reimburse expenses incurred to eliminate them.

3. A seller (his representative, or the manufacturer) is obligated to accept the goods from the consumer.

Consumer demands that result from Paragraph 1 of this article are not subject to approval if the seller (his representative, or the manufacturer) prove that the defects in the goods arose as a result of the violation of use or storage regulations by the consumer. A consumer has the right to participate in verifying the quality of the goods personally or through his representative.

4. Delivery of goods to the seller (to his representative or to the manufacturer) and their return to the consumer is carried out through the efforts and resources of the seller (his representative or the manufacturer).

In the event of a failure to carry out this obligation, and also when there is no seller (his representative or his manufacturer) at the consumer's location, goods delivery and return may be carried out by the consumer at their expense.

5. When goods are available, a consumer's demand for their immediate replacement is subject to immediate approval, and in the event when the need arises to verify their quality—within the time period prescribed by the republic legislative act (but no later than 14 days) or by agreement of the parties.

When goods are not available, a consumer's demand for their replacement is subject to satisfaction within a two month period from the moment of the appropriate application.

For each day a seller (his representative or his manufacturer) violates the time periods indicated in this Paragraph, the consumer is paid a forfeit that is one percent of the goods' cost.

When the goods are replaced, the warranty period is calculated anew from the day they are replaced.

6. In the event a consumer demands the elimination of defects in goods free of charge, they must be eliminated during the time period prescribed by republic legislative acts (but no more than 14 days) or by agreement of the parties.

In accordance with a consumer's demand, he is given (with delivery) goods of a similar model (brand and type) during the repair period.

The consumer is paid a forfeit in the amount of one percent of the goods' retail price for each day's delay in carrying out the demand to provide goods of the same model (brand and type) during the repair period and in eliminating the defects beyond the prescribed time periods.

In the event a demand is presented to eliminate defects in goods, the warranty period of its operation is extended for the time period during which the goods could not be used by the consumer. The indicated time period is calculated from the day the consumer submits the requirement to eliminate the defects.

7. In the event of a failure to carry out the consumer's demands within the time periods prescribed in Paragraphs 5 and 6 of this article, the consumer has the right to choose to submit other demands that result from Paragraph 1 of this article.

At the same time, payment of a forfeit (fine or penalty) is not calculated against losses that are subject to reimbursement or other payments to the consumer that are carried out in accordance with this article.

#### **Article 8. A Consumer's Right To Exchange Goods of Proper Quality**

1. A consumer has the right to exchange good quality nonfood goods for similar goods in the trade organization where they were acquired if the goods did not suit him in shape, dimensions, style, color combination, or size or if the consumer cannot use them for some other reason.

The time period during which the consumer can exercise the right to exchange goods is prescribed by republic legislative acts.

The exchange of good quality goods is carried out if they have not been used and they have maintained their goods appearance, consumer characteristics, labels, factory tags, and also the goods or cashier's receipt that was given to the consumer by the seller along with the goods sold.

The list of goods that are not subject to exchange in accordance with the grounds indicated in this article is being approved by the republic Councils of Ministers.

2. In the event similar goods are not on hand for sale when the consumer requests them from the trade organization, the consumer has the right to choose to either acquire any goods from the selection on hand with the appropriate cost recalculation, to get his money back in the amount of the goods' cost, or to carry out an exchange of goods for similar goods when the proper goods are first delivered for sale. A seller is obligated to tell the consumer who requested the goods exchange when the goods' are delivered for sale.

#### **Article 9. The Consequences of Violating the Terms of Contracts for Performing Work or Rendering Services**

1. A consumer has the right to repudiate a contract for performing work or for rendering services and to demand reimbursement for losses if the executor does not begin executing the contract in a timely manner or carries out the work so slowly that it is clearly impossible to complete it before its term expires.

2. If while carrying out the work or while services are being rendered, it becomes obvious that they will not be carried out in accordance with contract terms, the consumer has the right to assign the executor a commensurate time period to eliminate the discrepancies or to abrogate the contract and either demand reimbursement for losses or entrust a third party to correct the discrepancies at the executor's expense if the demands are not carried out during the allotted period.

3. If the executor permitted deviations from the contract terms, deteriorated work (services), or permitted other discrepancies in the work (services), the consumer has the right to choose to demand the correction of the indicated discrepancies free of charge in a commensurate time period or reimbursement of expenses incurred by him to correct the discrepancies of the work (services) using his own resources or an appropriate reduction of compensation for the work (services).

4. In the event that discrepancies are not eliminated within the prescribed time periods indicated in Paragraphs 2 and 3 of this article, the executor pays the consumer a forfeit (fine or penalty) that is prescribed by republic legislation or by the contract.

The paid forfeit (fine or penalty) is not calculated against losses that are subject to reimbursement.

The executor's payment of a forfeit (fine or penalty) that is prescribed in the event of expiration of the time period, other nonfulfillment, obligation not subject to fulfillment, or reimbursement for losses does not relieve him from carrying out his obligations in kind.

5. When significant deviations from contract terms or other substantial discrepancies exist in work (services), the consumer has the right to demand abrogation of the contract and reimbursement of losses.

If significant deviations from the contract or other significant discrepancies have been detected in a product manufactured from the consumer's materials, he has the right to choose to demand either manufacture of another product from similar material of the same quality or abrogation of the contract and compensation for losses.

6. The executor does not assume responsibility for discrepancies in the fulfillment of work or in rendering services if he can prove that they arose through the fault of the consumer himself.

7. Consumer demands that are prescribed by this article are subject to satisfaction in the event of the discovery of discrepancies during the warranty period (service life) prescribed by USSR legislation, standardized technical documentation, and when there are none—during the time periods prescribed by republic legislative acts or by the contract.

The warranty period for work and services is calculated from the day the work (service) is accepted by the consumer and the service life from the moment the work is performed.



A consumer is obligated to report deviations from contract terms and other discrepancies in the work which could not be detected under ordinary methods during its acceptance to the executor as soon as they are detected.

8. An executor is obligated to reimburse losses that have arisen as a result of loss or damage of items that he has accepted from the consumer to perform work or to render services. The executor is not relieved of responsibility in the event that the level of scientific and technical knowledge does not permit detection of an item's special characteristics.

The cost of an item that has been accepted by the executor to perform work or to render a service is determined by the consumer when the contract is concluded.

9. An executor assumes responsibility for injury caused to the consumer's life, health, or property that have arisen as a result of the use of materials, equipment, devices, instruments, gadgets, or other apparatus needed by him to perform the work or to render the service, regardless of the executor's knowledge of its characteristics.

10. The consequences of the violation of contract terms on performance of work or on rendering a service, which by its very nature is not subject to the force of this article, are defined by USSR and republic legislative acts.

#### Article 10. Product Safety

1. Citizens have the right to use and store a product that they have acquired and that it be safe for their lives, health, and property during the prescribed service period or service life.

The requirements for a product that insure its safety for citizens' lives, health, and property are mandatory and must be prescribed in state standards.

If special rules must be complied with in order for a product to be safely used or stored, the manufacturer (executor) is obligated to develop these rules and the seller (executor) is obligated to inform the consumer about them.

2. A product for which requirements to insure citizens' safety of life, health, and property have been prescribed in state standards, and also systems that insure citizens' safety of life and health are subject to mandatory certification in a prescribed procedure. Sale and use of these products in the USSR and also their import without certification that confirms the products' compliance with the listed requirements is forbidden.

3. If it has been established that use or storage of a product can cause injury to citizens' lives, health, or property, the manufacturer (seller) is obligated to cease its production (sale) until the defects that cause the injury have been eliminated.

If it is impossible to eliminate the causes of injury, the USSR Cabinet of Ministers or republic Councils of Ministers (for products manufactured by republic enterprises or local industry enterprises, and for those products sold on the territory of the republics) decide on the immediate removal of this product from production, its removal from circulation, and its recall from consumers when necessary.

In the event of a violation of the requirements in this Paragraph, the manufacturer (seller) pays a fine in the size of the products' sales costs to the state budget in accordance with the orders of the organs that exercise state monitoring of product quality.

4. A service period or service life must be prescribed for a product whose operation presents a danger to people's lives or health or the environment beyond a prescribed time period. This requirement can be extended both to an item as a whole and to certain of its parts.

A consumer must be warned about the existence of a service period (service life) of an item or of its parts, required actions when it is reached, and about the possible consequences of not carrying out the actions indicated.

5. A manufacturer, executor, or seller assumes responsibility for not providing product safety requirements for citizens' lives, health, and property, regardless of whether the level of scientific or technical knowledge permitted detection of a product's characteristics that pose a danger for citizens' lives, health, or property.

#### Article 11. Material Responsibility for Injury Caused by a Product of Inferior Quality

1. Injury caused to a citizen's life, health, or property by a product that contains design, production, formula, or other defects is subject to total compensation if USSR or republic legislation does not stipulate a higher degree of responsibility.

2. The right to demand compensation for an injury caused by a product of inferior quality is recognized for any consumer who is a victim, regardless of whether or not he took part in contract terms with the executor or seller.

Injury caused to a consumer's person or property is subject to compensation if it occurred during the time period prescribed by the standardized technical documentation and, when there is none—during the ten years from the moment the product was manufactured.

3. The seller of the goods, and (or) the manufacturer who is not its seller, and the executor of work and services assume responsibility to the consumer for injury indicated in Paragraph 1 of this article. They do not assume responsibility if they prove that the injury arose as a result of violation of product operating or storage rules by the consumer.

4. When a court renders a decision on compensation for injuries caused by goods indicated in Paragraph 1 of this article, it also reviews the question of excluding the goods from circulation and having the manufacturer or seller take steps to cease sales of the entire shipment of goods from which the goods that caused the injury originated.

#### Article 12. Product Information

1. A consumer has the right to obtain required and reliable information about the price, consumer characteristics of the product that interests him, the conditions for its acquisition, warranty obligations, and also methods and rules for its use, storage, and for presenting complaints.

2. The seller (manufacturer, executor) brings to the attention of the consumer the information stipulated in Paragraph 1 of this article which is contained in the technical documentation attached to the product and also the markings and indication of the date of manufacture and sale or uses another technique that is customary in individual service spheres.

3. Products manufactured by an enterprise must have the maker's label, except in cases prescribed by law. The maker's label includes the manufacturer's name, its location, and the designation of standardized technical documentation which must correspond to the manufactured product.

On food goods, medicine, cosmetics, and other products (their packaging), consumer characteristics which can worsen with the passage of time must also be indicated in accordance with prescribed requirements of the service life (sale).

A product manufactured by a citizen engaged in individual work activity must have a label indicating the patent number (authorization to manufacture) and the name of the agency that issued it and also standardized technical documentation whose requirements apply to this product.

4. If the presentation of inaccurate or incomplete information about the product being sold has resulted:

in the acquisition of a product that does not have the characteristics required by the consumer, the consumer has the right to abrogate the contract and demand reimbursement for losses caused to him;

in the impossibility of using the acquired product for its intended purpose, the consumer has the right to demand presentation of the indicated information within a reasonable period of time. If the information has not been presented within the stipulated time period, the consumer has the right to abrogate the contract and demand reimbursement for losses;

in injury caused to the consumer's health, life, or property, he has the right to present demands to the seller (manufacturer or executor) as stipulated in Articles 10 and 11 of this Law.

5. Losses caused to a consumer by a product acquired as a result of dishonest advertising are subject to total reimbursement by the guilty party.

6. While reviewing a consumer's demands for compensation for losses caused by unreliable or inadequately complete information about a product or dishonest advertising, it is necessary to proceed based on the provisions about the consumer's lack of special knowledge about the characteristics and description of the product acquired.

#### Article 13. Consumer Rights in the Sphere of Trade and Other Types of Services

1. The right is recognized for all citizens in equal measure for satisfaction of their needs in the sphere of trade and other types of services. The establishment of any direct or indirect limitation of consumer rights is prohibited.

Benefits and priorities in trade and other types of service may be offered to certain categories of citizens in the manner prescribed by USSR and republic legislative acts.

2. The consumer has the right to freely choose goods and services.

A seller (executor) is obligated to render all possible assistance to the consumer in the free selection of goods and services.

Forcing a consumer to acquire a product of inferior quality or of a selection not needed by him is prohibited.

3. A seller (executor) is obligated to offer a consumer reliable and visible information about the name and ownership of his enterprise.

4. A consumer has the right to verify the operability, completeness, dimensions, weights, and prices of goods acquired, a demonstration of their operation, and also familiarity with their safe and correct use. A seller (executor) is obligated in these cases to offer him monitoring and measuring devices, documents on the prices of goods, and when necessary—facilitate sending the goods to an examination by experts.

5. When a consumer's rights have been violated at enterprises of the trade sphere or of other types of service, the seller (executor) assumes the responsibility prescribed by this Law and by other USSR and republic legislative acts.

#### Article 14. The invalidity of Contract Terms that Infringe on a Consumer's Rights

Contract terms that infringe upon a consumer's rights in comparison with the rights prescribed by consumer

rights protection legislation are recognized as invalid. If injury is caused to a consumer as a result of the use of contract terms that infringe upon a consumer's rights, this injury must be totally reimbursed by the manufacturer (executor, seller).

#### Article 15. Legal Protection of Citizens' Rights

When there is a refusal to satisfy the citizens's demands as stipulated by Articles 5, 6, 7, 8, 9, 10, 11, 12, 13, and 14 of this Law, the dispute will be resolved by the court.

In these cases, suits are presented to the court at the plaintiff's place of residence or at the defendant's location, or at the location where the injury was caused.

While satisfying a citizen's demands, the court, furthermore, resolves the issue of additional monetary compensation for the moral injury caused to the citizen.

### Section 3. Public Consumer Organizations

#### Article 16. The Rights of Public Consumer Organizations

1. Citizens have the right to voluntarily join public consumer organizations which carry out their activities in accordance with USSR and republic legislation.

2. Public consumer organizations have the right to:

participate in the development of state standards that establish product quality requirements;

conduct independent product, price, and tariff examinations by experts;

verify trade, everyday services, and other types of services compliance with consumer rights and regulations;

participate jointly with appropriate state organs in carrying out monitoring of the use of centrally prescribed and regulated prices;

submit proposals to board organs, enterprises, organizations, and institutions on steps to increase product quality and to comply with price formation regulations, on ceasing production and sale of products that do not meet prescribed quality requirements, on removing products from production and sale that pose a danger to citizens' lives, health, or property, on cessation of sales of products at inflated prices and also on repeal of prices established in violation of legislation that is in force;

submit to the procuracy and to management organs materials on filing suit against individuals who are guilty of producing and selling products at inflated prices or that do not comply with prescribed quality requirements; and,

file suits in the interests of consumers who are not members of public consumer organizations in the event of the violation of their rights that are prescribed by USSR and republic consumer rights protection legislation.

#### Article 17. Protection of Citizen's Rights by Public Consumer Organizations

By authorization of citizens or through their own initiative, public consumer organizations have the right to submit complaints to a manufacturer (executor, seller) of a product on elimination of violations and voluntary compensation to citizens injured by these violations.

If the manufacturer (executor, seller) does not reply to the complaint within 10 days or refuses to eliminate the violation and to voluntarily compensate for the injury caused, public consumer organizations have the right to file a suit in court.

In the event of satisfaction of the demands presented, the court renders a decision on payment of a fine from the manufacturer (executor, seller) into the budget in the amount of the cost of the suit and on compensation to public consumer organizations for expenses borne.

#### Expanding Estonian Coupon System Described

914D0155A Tallinn VECHERNIY TALLINN  
in Russian 4 Jan 91 p 1

[Article by Ille Gryun: "The Coupon System is Expanding"]

[Text] Yesterday morning Trade Department representatives attempted to explain what has generated the need for expanding the coupon program. Udo Erm, head of the Trade Department, stated that the figures are not inflated and that they not only correspond to the wishes of trade workers. Theoreticians from "Maynor", the ministry, and the Institute of Market Conditions have met three times. The quantity of goods per coupon was arrived at by simple arithmetic. The Estonian Republic's resources were listed and the quantity of each good on the list was divided by the number of republic inhabitants. Goods scheduled for licensed shipment outside Estonia were naturally subtracted before the division was made. But since precise shipment quotas have not yet been established, 30 percent was subtracted for all contingencies.

#### Matches

As is known, every Tallinn resident will receive five boxes a quarter. The natural question is: why so few? The director of the Viljandi Match Factory stated very recently that match production had been increased by 20 percent. In Udo Erm's opinion, it would be possible to distribute five boxes a month, but since everyone has already stocked up on matches, no one should be left without matches. What is the source of such confidence? Is it possible to determine supply norms in general? Trade adviser Urve Nyu, who spoke later, stated that no drop in match production is foreseen. Restrictions on the sale of matches in Estonia have been instituted primarily because of the match shortage confronting our neighbors—the Latvians and Lithuanians.

### Alcohol

The calculation was based on the production volume of "Liviko." Udo Erm said that the Trade Department placed great hopes in the wholesale depot, which is concluding contracts for the delivery of cognac, champagne and wine, but could not promise anything as yet. The alcohol ration per coupon evokes doubt because alcohol is now allotted to everyone (including babes in arms) rather than to persons 21 years of age or older, as in the past.

### Industrial commodities

Up until now, ERSPO [Estonian Republic Union of Consumers' Societies] has made restrictions in favor of its members; city authorities have now decided to institute restrictions in favor of Tallinn residents. Many questions have arisen regarding industrial commodities. Does the half-year norm extend to the newborn? The persons answering the questions were confused. At first it seemed that it should, but then they recalled that the distribution of children's goods upon receipt of a certificate from a post-natal clinic remains unchanged.

Nor is it entirely clear what the concept "underwear" should include, i.e., which two items can be purchased for coupons. Will brassieres and slips be sold for coupons? How will pajamas, nightshirts, and belts be sold? For the time being these questions will only be discussed.

Light bulbs. If someone suddenly has the good fortune of purchasing a six-light chandelier in a store, will he also obtain six light bulbs together with the chandelier from the store? The question remains open.

Furniture, television sets and household appliances are still distributed to enterprises. What will happen to these goods now? It was decided to conduct an experiment with furniture and instead of distributing it to enterprises to set limits within which enterprise personnel can order furniture. Mr. Varvas, a department store director, expressed his displeasure in this regard. There are debts from last year: not everyone has received the goods allocated to them. The reason is very simple: we are not receiving any more distributed refrigerators and washing machines. The Trade Department's answer that those who did not receive an item last year should receive the allocated item from this year's resources is downright laughable. What manner of resources are being discussed and where will they come from? Mr. Varvas believes that it is pointless to sell air. He has spoken out for free trade.

### Groats

One kilogram of semolina or rice a year per person. It is claimed that the requirement up until now has been for 130 kilograms of semolina a year per person. This is possibly the case. But now literally everyone is trying to redeem their coupons—even those who do not eat cooked semolina or boiled rice. The question of why more semolina could not be produced—in view of the

current boom—was not answered. There was no representative from the Procurement Department, and trade representatives only threw up their hands in dismay. Excuse me, we were specially assembled to clarify all questions, but no substantive answers were given. The health department should now rack its brains over how to supply little children with the semolina they absolutely need (there are on the order of 25,000 such consumers in Tallinn).

### Sugar

One kilogram per quarter is little. But that is all we can supply today. A larger quantity could not be allocated. The "sugar" problem has been placed on the government's shoulders. Hope-inspiring, preliminary talks are in progress. But it is a source of concern that some sugar refineries in the Ukraine cannot operate at full capacity. Finland is offering its sugar refining services. Edgar Savisaar should clarify this question.

### Urve Nyu, government trade adviser,

believes that the conversion of the sale of any good to coupons increases its sale by 20-30 percent. Second, such a compote of social rights and a market economy is entirely inedible. The coupon system was born in Germany during the war. But every consumer there was assigned to a certain store and a strict count was kept of the correlation between coupons and goods sold. In our case, every city and district does as it sees fit. And moreover, no one can check to see whether all of a given product has been sold for coupons.

When the idea of a sheet of "coupons" was born, it was thought that the name, address and age of the owner would be written on it. Naturally, no one goes into a store with the full set of coupons, but instead tears off the necessary coupons at home. At present, we are compelled to allocate alcohol and cigarettes even to children because no one will specify whose coupons they are—children's coupons or coupons purchased on the black market. Urve Nyu does not believe that coupons will solve the alcohol and cigarette problem.

The trade adviser offered the soothing words that the small number of certain types of goods should not be the occasion for panic. If more of these goods are obtained, there will be additional allocations of them. But we should also prepare for the worst.

### Summing up,

it can be said that the existence of the Tallinn Trade Department generates more and more doubt with each passing day. If its functions are confined exclusively to simple arithmetic operations, then... Thus far we have not heard that trade has succeeded in obtaining a certain good for the city's residents. In my opinion, the trade department could become an intermediary.

P.S. An error crept into the report on the distribution of goods on the basis of coupons. Two sets of underwear can be obtained for one coupon.

## FUELS

### Minister Chirskov on RSFSR Gas Supply

914E0062A Moscow SOVETSKAYA ROSSIYA  
in Russian 2 Mar 91 First Edition p 2

[Unattributed interview with V.G. Chirskov, USSR minister of construction of petroleum and gas industry enterprises and RSFSR people's deputy; place and date not given: "The Cinderella of the Realm of Gas. Why the Program for the Gasification of the Russian Countryside Is Not Being Implemented"]

[Text] [SOVETSKAYA ROSSIYA] Vladimir Grigoryevich, I would like to start our interview with the latest letter similar to dozens that have recently been sent to the editor. Their subject matter is the very difficult situation in the countryside. This is what those attending a meeting of agricultural workers in Rzhevskiy Rayon, Tversk Oblast, wrote to the president of the USSR and the chairman of the Russian Soviet Federated Socialist Republic [RSFSR] Council of Ministers:

"We are deeply worried about the growing and profound political and economic crisis. Steps taken to stabilize the economy are still not producing the desired effect. What we are observing is essentially the collapse of our national economy. While positively assessing the course proclaimed by the Extraordinary Congress of RSFSR People's Deputies of priority development of our long-suffering countryside and equality for all forms of ownership, we nevertheless see no practical steps to implement the program that was adopted.

"The financial development of the countryside is a cause of alarm. Budget allocations for 1991 cover spending for capital investments in the countryside at a level only 50 percent of the 1990 level. Material and financial resources allocated to develop the production base for kolkhozes and sovkhoses [collective and state farms] are 2.5 times less. But the increase of prices for construction materials by a factor of 2.5, and the lack of stocks of such materials is sharply curtailing or totally halting the construction of housing, schools, kindergartens, and other social and everyday projects, and construction using the economic method. Demand from farms in the rayon for the limits set to provide equipment and spare parts for it is not being satisfied.

"The nonalignment of republic and Union laws and the fact that they are often at variance one with the other has led to chaos and confusion at the local level."

You will agree that the present situation is gloomy. However, you, as a deputy and the USSR minister of construction of petroleum and gas industry enterprises, are well aware of this...

[Chirskov] Of course. It would seem that everyone understands that among the many acute questions that must be urgently resolved the radical problem is the food

problem. Nevertheless, the position with respect to providing people with foodstuffs continues to worsen. For many years we promised that the countryside would be improved and the peasant economy consolidated. The result is well known. People no longer have any faith in that. New approaches and immediate action are needed to resolve agrarian problems. As in any matter, it should be first and foremost a question of the individual.

Of the set of problems in agriculture let me single out the one that is closest to me, namely, the level of gasification in our countryside. Here we have a paradox: Russia has the largest gas reserves in the world, providing about 80 percent. Russian agriculture, which accounts for 19 percent of the national income generated, also accounts for only 4 percent of gas demand. To put it more simply, of the 88,000 populated points in rural localities, only 5,000 use natural gas. At the same time, 111 of the gas lines, which cover a total distance of 1,000 kilometers, are not being used because of the lack of distribution networks. Only 30 percent of the capacities of the gas lines built for gasification of the Russian countryside are being utilized, and for some of them the figure is only 1-10 percent. The reason is that in Russia the length of main gas pipelines with their branches is 136,000 kilometers, but the length of the distribution lines is 121,000. That is, the relationship between them is about 1:1. In the developed countries, however, the relationship is 1:5 or greater.

[SOVETSKAYA ROSSIYA] How has this come about?

[Chirskov] This situation has come about because of the lack of a well-considered program in the RSFSR for supplying gas to rural regions, and because of underestimation of the importance of the problem. For gasification not only brings about fundamental improvement in living conditions but also significantly builds up the output of agricultural produce through the organization of local processing and improved storage.

Everything is in place here for a sharp leap forward: significant proven and promising reserves of natural gas, a system of powerful mainline gas pipelines that criss-cross the whole of Russia, technically well-equipped construction organizations that have a modern base and skilled personnel.

[SOVETSKAYA ROSSIYA] To put it figuratively, we are living in a realm of gas. There is so much of the "blue fuel" that we supply it to many countries. But in the Russian countryside they still have to be satisfied with the role of a Cinderella. It is difficult to explain this to people.

[Chirskov] The more so since the raw materials base makes it possible to develop Russia's gas industry on an intensive basis. The work done by the experts on gasification of Russian villages shows that it is necessary to build an additional 350,000 kilometers of gas pipelines. This will take 10 years and 23 or 24 billion rubles [R] of capital investments, R2 billion to R2.5 billion each year. There is no need to be afraid of this spending because it



will be recouped in a maximum of four years. Of the 20 million tons of pipeline produced each year in the country, 1 million tons should be allocated for gasification of the countryside. This is not a simple matter and accordingly a well-considered state program is needed that includes a scheme for gasification of each village, rayon, oblast, kray, and republic and makes provision for the resolution of questions pertaining to funding, material-technical supply, and planning.

The most important thing is to balance this program. For our misfortunes will also continue when we are bringing gas to the countryside. For example, 1.2 million gas cookers are being produced each year in the Russian Federation, but 3 million are required. And that is the total being produced today in the country. This means that it is necessary to expand capacities to produce cookers.

Moreover, in order to implement the program it is necessary to create a regime that would be attractive. Of what should this consist? First and foremost all questions pertaining to realization of this task should be included in the state order. It is also advisable to establish some kind of favorable tax scheme.

And finally, I think that in order to realize this program it is necessary to do it by the economical route so that it is effective and does not collapse, as many others have. It is obviously necessary to set up a "Gasification of the Russian Countryside" consortium. It should combine construction and design organizations, enterprises producing special equipment and pipes, and a commercial bank. And, taking into account the importance of this program, in order to revive the Russian countryside there must be effective control over its implementation, a task that could be assumed by the RSFSR people's deputies from the territorial districts.

[SOVETSKAYA ROSSIYA] We agree with your conclusions, Vladimir Grigoryevich. But this is, if you will forgive, only theory. What is being done in a practical way?

[Chirskov] Last November an RSFSR Supreme Soviet commission drew up for the first time a concept for gasification of the republic's villages. The Extraordinary Congress of the RSFSR People's Deputies assigned the RSFSR Government the task of quickly working on this issue and reaching a decision. Late in December, what is in our view a not bad draft government resolution was prepared for the period 1991-1995, which could have been further worked on and adopted. That did not happen, however, because its final review by the first deputy chairman of the RSFSR Council of Ministers, G.V. Kulik, was only superficial and done in a hurry, before he left on a vacation. As a result, on 4 January of this year, another document was published—the RSFSR Government resolution "On the Development of Gasification in the Countryside"—in which only one section of the balanced nature of the concept remained, namely,

construction tasks. It is difficult to comment on this resolution, but several remarks must be made just the same.

First of all there is no mention in the document of a well-considered program for the gasification of the Russian countryside. I would like to talk, for example, about the balance for 1991. According to the tasks listed in the resolution it is planned to build 3,300 kilometers of new gas pipeline but only 1,800 kilometers of pipes have been allocated. No provision has been made for 51 utility lines with a total length of 1,000 kilometers, whose construction was started in 1990. But they have been supplied with pipe and it is planned to bring them on line this year.

The picture is similar with respect to gas distribution networks. Five-year targets in the resolution call for the construction of 140,000 kilometers, and so 27,000 to 28,000 kilometers are needed every year. But the document calls for the construction of 17,000 kilometers this year (12 percent of the five-year target) and the RSFSR State Planning Committee has allocated 11,800 kilometers, and the RSFSR State Committee for Material-Technical Supply has already provided 7,600 kilometers, while contracts for delivery of pipe have been concluded for only 3,900 kilometers... Here, I would like to remind you that in 1990 a total of 8,600 kilometers of these gas pipelines were built in Russia, that is, twice as much as the pipe being delivered this year.

Demand from rural areas in the RSFSR is now 14 billion cubic meters of gas annually, but by the end of the five-year plan demand will have quadrupled, reaching 54 billion cubic meters. It is possible to deliver 32 billion cubic meters annually through main gas pipelines with a diameter of 1,420 millimeters. This means that as a minimum it is necessary to have one gas pipeline by 1994. Planning and construction must be completed in three years maximum. However, no decision has yet been reached on this obvious issue.

There is more. This year, a lower level than last year is envisaged for gasification of villages in all the oblasts of Russia with respect to supplies of gas cookers, gas heads, stop valve gear, and other equipment, and only seven excavators, 18 bulldozers, and 15 trucks are being allocated. In accordance with the targets in the resolution, which, incidentally, has the blessing of G.V. Kulik, it is necessary each year to lay gas pipelines whose total length is enough to girdle the earth at the equator. This is the question that arises: How does the esteemed Genadiy Vasilyevich propose to dig all those trenches with seven excavators?

Finally, in order to demonstrate the unbalanced nature of the plan for this year let me cite two other figures. The plan for contract work is R732 million, but only R140 million of material-technical resources, that is, 19 percent, have been allocated.

The situation with respect to gasification of the Russian countryside in 1991 shows that some leaders in the

republic are still demonstrating a total lack of understanding of the issue and an absence of any sense of responsibility for the revival of the countryside. This is very dangerous.

Where is the hope to be found? When reviewing a special meeting on the problem of gasification in Russia in January this year, Deputy Chairman of the RSFSR Supreme Soviet V.M. Isayev noted the need to consider the problem in the Supreme Soviet Presidium and the RSFSR Council of Ministers. Understanding that given this kind of imbalance in planning, this year has been totally lost, and also part of 1992 (no groundwork has been done), he named 23 January for a review of this issue at a meeting of the RSFSR Council of Ministers. By that time our commission of deputies had prepared drafts for the necessary decisions. But even during the course of the meeting the question was excluded from debate and passed for review by the Council of Ministers Presidium.

In my opinion the reasons for this are old ones: the influence of forces that only speak in favor of the revival of the Russian countryside. There are many such forces within the government of Russia, and they are called the command administrative system. Why do I draw this conclusion. Because I am aware of the firm and consistent position on the issue of gasification taken by the chairman of the RSFSR Supreme Soviet B.N. Yeltsin. But even this is not enough to move things from dead center. Obviously the Russian Congress of People's Deputies that opens in March will demand an answer to this question from the government.

Nevertheless, we shall await with hope the planned sessions of the RSFSR Supreme Soviet Presidium and Council of Ministers. We have no right to disillusion the workers in the Russian countryside who have long since grown tired of the role of a Cinderella who by rights should own a share of the "blue fuel."

## ELECTRIC POWER GENERATION

### Georgian Energy Problems Discussed

#### Turkey Supplies Supplemental Energy

914E0063A Tbilisi VESTNIK GRUZII in Russian  
6 Feb 91 p 2

[Interview with Deputy Chief Engineer Guram Chkuaseli, Georgian SSR Administration of Power Management of the Main Administration of Power Generation and Electrification of the USSR Ministry of Power and Electrification, by SAKINFORM correspondent Alla Kokaya; place and date not given: "Inguriges: Water Level Is Below Minimum"]

[Text] For the first time in the history of operation of this largest hydroelectric power station, the water level in the reservoir has fallen below minimum. Now the power station functions only on river water. Because of that, the

power station only produces up to 1.5 million kilowatt-hours of electric power a day.

[Chkuaseli] Usually, at this time of the year Inguri Hydroelectric Power Station produces up to 6 million kilowatt-hours. The current situation has been caused by an overly intensive use of the water supply from the very beginning of winter. The reasons that forced the power industry specialists to undertake it have been described many times in the press, so republic citizens are informed on this topic.

[Kokaya] How long will this situation on the Inguri last?

[Chkuaseli] Until the beginning of spring flood, which in our area depends on the snow melting in the mountains and usually falls on the first days of April.

[Kokaya] What are Georgian power industry workers doing to at least partially compensate for this underproduced energy?

[Chkuaseli] We have entered an agreement with Turkey and will receive, starting 26 January, between 2 and 2.5 million kilowatt-hours daily from there. This is enough to supply all of Adzharia. We will pay Turkey for the electric power we now receive by the same electric power in the summer; this is just fine for us.

[Kokaya] Could not such a situation have been foreseen and prepared for?

[Chkuaseli] Unfortunately, no. Who could have predicted the destabilizing processes that are taking place in the republics now? After all, Azerbaijan, which has delivered less gas than stipulated to us, does not do it deliberately—they have their own objective reasons. Therefore, I do not think that we can expect a cardinal improvement in the work of the power complex without a general stabilization of the economy.

### Industry Shutdowns Mandated

914E0063B Tbilisi VESTNIK GRUZII in Russian  
9 Feb 91 p 2

[SAKINFORM report: "Required by Electric Power Shortages: In the Georgian Republic Council of Ministers"]

[Text] The Georgian Republic Council of Ministers has considered the situation in the republic created by acute shortage of electric power.

As an amendment of, and an addition to, the government resolution of 22 January of this year: "On Additional Measures To Balance the Production and Consumption of Electric Power in the Republic," and also because of an acute shortage of electrical power that exists in the republic, the decision is made to halt the work of selected organizations in the construction complex until 1 March 1991, in addition to work stopped since 23 January in enterprises of machine building,

heavy, defense, light, and local industry, as well as cooperative enterprises (with the exception of bakeries).

Associations and enterprises whose work was halted because of the cut-off of electric power are relieved, by decision of the republic government, from paying fines for nondelivery of goods stipulated by contractual agreements and destined for enterprises under republic jurisdiction.

Until the situation returns to normal, the leadership of enterprises and associations of the industrial branches enumerated above are instructed as follows: for employees not participating in the work of the enterprises on uninterrupted cycle, initiate regular vacations, paid for in accordance with regular procedures stipulated by law; for persons who have a right to choose the time of their vacations, resolve this matter on an individual basis; in determining demurrage pay after the regular vacation time, use as a guideline the procedures of demurrage payments, stipulated by the labor law, and make these payments to workers and office employees at the level of two-thirds of their regular pay. If the enterprise has economic means for that, it may, upon agreement with the workers collective council and the trade union organization, pay demurrage at the normal working rate.

Enterprises, associations, and organizations stopped because of electric power cut-off are relieved of 20-percent depreciation payments into the budget—intended for full amortization of the equipment cost—in proportion to losses caused by work stoppages.

In order to avoid worsening the financial situation of enterprises stopped because of the electric power cut-offs, tax inspections should enter into the budget the amount of tax on profit calculated on actual figures of profit made.

Georgian republic banks (Z. Genkhenadze, Yu. Kortava, A. Ergemlidze), as an exception to the rules, are instructed to issue without interruption during the period between 1 February and 1 March the necessary advances for payroll funds to their client enterprises in machine building, heavy, defense, light, and local industry as well as enterprises that are part of the construction complex, provided that they charge the interest normally paid for centralized credit resources.

The republic government asked the USSR Gosbank [State Bank] board to exempt enterprises in machine building, heavy, defense, light, and local industry, and enterprises that are part of the construction complex located in the republic from the higher interest rates normally charged for not meeting the repayment schedule on bank loans.

Relevant trade union organizations are being asked to help in implementing these measures.

### **Estonian GRES Threatened With Shutdown**

914E0057A Tallinn SOVETSKAYA ESTONIYA  
in Russian 13 Dec 98 p 2

[Interview by S. Kolikov with Lev Petrovich Kurygin, Chief Engineer of the Estonian GRES: "Are Darkness and Cold Imminent?"]

[Text] **"If the current system for delivering spare parts and materials is still in effect next year, the power station will have to shut down," considers Lev Kurygin, Chief Engineer of the Estonian GRES.**

[Kolikov] Lev Petrovich, an on-site meeting of the government at Narva examined, among other things, the problem of power engineering. However, it is not so much the electricity itself as the price for it that upsets the ordinary person....

[Kurygin] Prices are rising for everything. I just spoke with the director of Estonslanets and he promised to quadruple the price for shale. The costs of generating electricity will rise correspondingly.

[Kolikov] Does this mean that people will have to pay four times as much?

[Kurygin] Hardly fourfold. For there is a question of policy here, it is decided at the government level. Possibly the price for the public will remain as before—4 kopecks per kWh, and the increased cost of fuel and spare parts will be shifted to the shoulders of industrial and agricultural customers. In one way or another, the rates for electricity will increase, this is the law of the market. Not much time is left before the new year begins. The government held a preliminary conference at which these problems were discussed, but things are completely up in the air.

[Kolikov] In that case, you could not forecast your domestic production, relatively speaking?

[Kurygin] Next year we expect a reduction in electrical generation, because Estonslanets has promised to cut shale deliveries by 2.3 million tons. This means that we shall reduce the generation of electricity by 1.6 billion kWh. There is enough energy for Estonia, the republic consumes half of the electricity generated by our power stations. But then our neighbors—Leningrad and Pskov Oblasts and Latvia—will not get their full amount....

Moreover, operating problems are arising for us. The fact is that, when there is a shortage of fuel the power station will not operate with a full load all the time. Right now we are working from 0700 to 2200 or 2300 hours. Under the new circumstances we will have to convert to a somewhat different schedule. Operate with a minimum load at night, take the maximum load in the morning, and then relieve the power station, and in the evening again raise the load. At night a portion of the equipment may have to be stopped. All this will be reflected in the economic indicators, we shall consume more fuel, and

electricity will be more expensive. But this is one question, as is said, that never dies. There will be fuel, but for 7.3 billion kWh, not for 9 billion kWh. But there are more serious things. We must think about whether we shall be able to operate at all next year. A hundred fifty Union plants ship spare parts to us. Certain items are produced only at individual enterprises, for example, at Leningrad's Elektrosila and Metallicheskiy Zavod, the Taganrog Boiler Plant, and others. They have no competitors, they are monopolists. We can get the necessary spare parts only from them. The turbines and boilers operate relatively reliably, and they can last for several years. But there is also that equipment which constantly needs the arrival of spare parts, such as, for example, crushing and pulverizing equipment. It grinds the shale down to a fine powder suitable for burning. Volgotsem-mash delivers special hammers for the crushing plant. This year we received only 90 of them instead of 690. If we do not straighten out the shipments, then we can be shut down by the middle of next year.

[Kolikov] What explains such breakdowns?

[Kurygin] The fact that the suppliers, in turn, do not receive materials from their cooperating enterprises, and resources for them are allocated under a so-called state order, but the manufacture of spare parts for power stations and so on does not enter into it.

[Kolikov] If you are outside the order, that means you must establish direct ties, isn't that so?

[Kurygin] There are variants. It seems that we have found a manufacturer for those hammers. It is the Fosforit Association in neighboring Leningrad Oblast, where there is a rather high-powered casting production. They have agreed in principle to cast a certain number of hammers; they have the specialists and the raw materials, but they are asking for 5 tons of soluble glass so they can make forms for the castings. They have scarcely enough for their own needs, and shipments from the Ukraine practically have stopped. Now our supply people are looking for soluble glass. One place can supply them but in exchange for concrete blocks....

We are also having a problem with boiler repair. High-pressure pipe is needed for this purpose. The manufacturing enterprises have stated that they do not have enough resources. That is to say, we see that everywhere the economic system is so disarranged that ties have been broken with the most reliable of our suppliers. For example. The Temirtau Casting Machinery Plant, using heat-resistant steel, made parts for the burners in the power station's boilers. Now they report that there are no alloying additive, ferrotitanium, which is introduced into the casting. We went to Minenergo's [Ministry of Power and Electrification's] arbitration, where we were told that, under existing circumstances it is impossible to apply sanctions, because the supplier is in the same situation, that is, he is not getting the raw materials. It is very difficult to break this vicious cycle....A couple of days ago a letter came—next year they will not be able to

conclude a contract with us for the delivery of sulfuric acid, without which we cannot process the water that goes into the boilers. We have only enough reserves to last until April of next year.

So it is that, today the station's receipt of supplies and equipment has deteriorated so much that we are worried most seriously. If things keep going like this we shall not be able to operate. And this is a catastrophe. If proper order is not applied in such basic branches, I emphasize, as power engineering, then everything in general will collapse.

I spoke out about this at a recent government meeting, in the presence of E. Savisaar, our premier. It must be assured that the needs of Estonian electric-power stations for spare parts and equipment must be taken into consideration so that they may lie within the framework of the state orders of the republics that do business with us. The electric-power stations themselves are not in a position to establish business relations under the current procedures for barter trade. We do not produce anything except electricity.

One of today's chief tasks is that of retaining our republic's position in power engineering. But for this purpose, other important problems must be solved. Everywhere there are cooperatives that pay more, so people are leaving us. Today, out of 100 staff positions, 14 are open. And indeed we are losing qualified personnel such as, for example, welders who work with high-pressure pipe. It takes 4-5 years to become a specialist of this kind. Or power-unit operators. A great emotional and psychological load is associated with this vocation, and these people have a high degree of training in eliminating emergency situations. By the end of the year the departure of 6-8 such specialists is expected. We know that Minenergo already has large power units idle because of the lack of these specialists. Only material motivation which would raise their pay can solve the personnel problem.

[Kolikov] Can the station's economic situation be improved by producing various byproducts based upon shale and its wastes?

[Kurygin] Yes, we have thought of building a plant for producing building parts. But again, for this purpose, mills are needed for crushing the ash. And autoclaves are needed, to give thermal treatment to the blocks.

We are already operating a department for producing blocks for footings. Its capacity is 20-24 cubic meters per day. The technology has been simplified, the ash need not be ground, and autoclaves are not needed. But if we want to make something more substantial, good-grade cement for example, we will need special equipment. We could make construction blocks and parts for garden cottages. As much as you like.

[Kolikov] Foreign countries will not be able to help with equipment?

[Kurygin] They are not in very much of a rush. In recent years countless numbers of foreign delegations have visited us. They were interested in the ash and the use of the shale and its processing. But not one of these visitors completed a specific proposal.

Probably the only transaction occurred recently, when we sold an FRG middleman concern about 9,000 tons of shale oil. Recently, in a Leningrad laboratory, a facing slab was produced experimentally from our ash. It has a beautiful external appearance and excellent qualities. But presses are needed for producing it serially, and the best are of Italian manufacture. It would be wonderful, it stands to reason, if some firm would send us the equipment for future deliveries, and we would pay for it with

products. Industrialists from Denmark and Italy are getting ready to come here next year, and we shall try to interest them in shale oil and articles made from the ash, of which we have an inexhaustible supply.

[Kolikov] What part of the ash are you using?

[Kurygin] We consume 11-12 million tons of shale in a year. Its ash content is 44 percent. Out of 5 million tons of ash, about 3 million tons are moistened and go the ash heap. We will hope that this is a material of the future. According to the scientists' assessments, its valuable component is 80 percent of the dry ash, which is used in the form of fertilizer in agriculture and in construction.



### **Pension Fund Director Comments on New Pension Document**

914F0146A Moscow *EKONOMIKA I ZHIZN*  
in Russian No 3, Jan 91 p 18

[Article entitled: "A. G. Solovyev, Executive Director of the USSR Pension Fund, Comments on the New Official Document"]

[Text] I remind you first of all that in accordance with the Law of the USSR "On Pension Security for Citizens of the USSR" starting in January 1991 expenditures on the payment of pensions are financed by the USSR Pension Fund, which is an independent financial and banking system. The USSR Pension Fund was created as an all-union fund for guaranteeing citizens' pension security and for financing the payment of pensions all throughout the USSR regardless of where they work and live.

I wish to emphasize that the existence of such a fund acquires special urgency with the transition of the economy to market conditions and the increasing tendency of the population to migrate. The joint work of the Board of the USSR Pension Fund and branches of the Fund in union republics, whose leaders are members of the Fund's Board, will make it possible to effectively resolve the problem of compensating the lack of resources in individual regions for the payment of pensions, that has arisen as a result of natural disasters and other unforeseen circumstances leading to the lowering of resources for pension security. What is more, the resolution of problems through a single center—the Board of the USSR Pension Fund—means a dramatic reduction of the volume of paperwork between republics.

From what resources is the budget of the USSR Pension Fund formed?

First, from mandatory insurance contributions to the USSR Pension Fund from enterprises, institutions and organizations (cooperatives); from persons engaged in individual labor activity, *inter alia*, under the conditions of individual (group) leasing, or in personal peasant holdings. A second source is mandatory insurance contributions from citizens. A third source is union budget funds earmarked for the payment of pensions to members of the military in a compulsory term of service and members of their families and to persons belonging to internal affairs organs and members of their families designated to receive pensions in accordance with the Law of the USSR "On Pension Security for Citizens of the USSR." Also included here are funds earmarked for financing child-support grants for children under 1.5 years of age, grants for low-income families with children between the ages of 1.5 and 6 years in all-union centralized programs and measures to raise the people's living standard.

Voluntary contributions of enterprises, social organizations and citizens, and other receipts are also paid into the budget of the USSR Pension Fund.

As is known, the 4 October 1990 ukase of the USSR President "On Top-Priority Measures for Making the Transition to Market Relations" set the rate that enterprises, institutions and organizations must pay for state social insurance in 1991 at 26 percent. In accordance with Decree No 52-PF of the USSR Pension Fund, the USSR State Committee for Labor and Social Problems, the USSR Ministry of Finance, and the General Confederation of USSR Trade Unions dated 19 December 1990, insurance contributions to the USSR Pension Fund in 1991 comprise 80.5 percent of total contributions to state social insurance.

Insurance contributions are charged on all types of earnings of all categories of workers subject to the Law of the USSR "On Pension Security for Citizens of the USSR" (paragraphs 8-9 of the Instructions), with the exception of lump-sum payments enumerated in paragraph 10 of the Instructions).

The procedure under which citizens make mandatory insurance contributions is defined in "Conditions and the Procedure Under Which Citizens Make Mandatory Insurance Contributions to the USSR Pension Fund," approved by the USSR Council of Ministers in Decree No 1310 of 19 December 1990. The conditions and procedure under which persons engaged in individual labor activity, *inter alia* under conditions of individual (group) leasing or in personal peasant holdings make insurance contributions to the USSR Pension Fund are regulated by a special statute approved by the same decree of the USSR Council of Ministers.

The procedure for determining citizens' wages (income) for calculating mandatory insurance contributions is analogous to the procedure for calculating wages (income) from which contributions are collected from enterprises and organizations, including collective farms, for state social insurance.

Now concerning the structure of USSR Pension Fund bodies. It is articulated in the Statute on the USSR Pension Fund approved by Decree No 818 of the USSR Council of Ministers and the All-Union Central Council of Trade Unions On the Organization of the USSR Pension Fund." The Board of the USSR Pension Fund is the supreme body. The structure of USSR Pension Fund bodies also includes: the Executive Directorate—in the center; divisions of the USSR Pension Fund—in union republics; affiliates of divisions of the USSR Pension Fund—in autonomous republics, oblasts, and cities that are capitals of union republics; and the apparatus of representatives of the USSR Pension Fund in other cities and rayons.

The formation of the USSR Pension Fund and its bodies is not yet complete at the local level. Therefore in order to prevent disruption in the collection of insurance contributions and to ensure the financing of payments of

pensions and grants established by legislation of the USSR as of 1 January 1991, a special decree of the USSR State Committee for Labor and Social Problems and the USSR Pension Fund On Measures to Ensure the Financing and Timely Payment of Pensions in 1991" dated 24 December 1990 provides that where Fund services have not yet been established, their functions will be performed by appropriate social security organs with additional payment being made from the USSR Pension Fund until they are formed.

The decree provides that the USSR State Committee for Computer Technology and Information Science shall furnish the USSR Pension Fund and divisions of the Fund in union republics with a base for establishing 5,000 automatic data processing jobs. The USSR Ministry of Communications has the obligation of leasing intercity telephone communication channels to USSR Pension Fund organs at their request and to provide telephones, telexes, and telefaxes for city, intercity and international communication facilities.

Governments of union and autonomous republics and executive committees of kray, oblast, city, and rayon Soviets of People's Deputies are advised to take immediate measures to allocate USSR Pension Fund bodies premises, to provide them with the necessary equipment, furniture, office and business machines and communications, and to assist in staffing USSR Pension Fund organs with qualified cadres.

### **Shcherbakov Speaks at TU Meeting**

914F0147A Moscow TRUD in Russian 21 Feb 91 p 1

[Report by V. Golovachev, TRUD political correspondent, on Gorbachev's meeting with trade union leaders in the Kremlin on 19 February: "The Trade Unions' Chief Argument: USSR President Meets with Country's Trade Union Leaders"]

[Excerpts] On 19 February, in the Kremlin meeting hall of the Presidium of the Supreme Soviet, which is situated next to the head of state's office, by mutual agreement, a second meeting was held between M. S. Gorbachev and trade union leaders. Participating in the meeting were Prime Minister V. S. Pavlov, General Confederation of Soviet Trade Unions (VKP) Chairman V. P. Shcherbakov, and leaders of branch, republic, and other regional trade union associations.

In the course of the frank, sharp, and thoroughgoing dialogue, pressing socioeconomic problems were discussed, above all retail price reform and the social safety net. The present and future concerns of the common man—the worker and the pensioner—and the need for guaranteed support for the population during the current difficult period comprised the chief theme of the trade union leaders' well-argued speeches. They relied not only on the opinion of many people and collectives but also on the economic calculations of independent experts and thorough analysis of documents and materials on the upcoming reform.

[passage omitted]

Doubts are raised, continued the trade union leader, by the fact that only 85 percent of the total retail price increase is slated for compensation.

One other comment. Only additional expenditures for goods from state resources will be subject to reimbursement. In most regions, goods and especially foods are bought in the market, in cooperative and commission trade. It is clear that in the markets prices will jump sharply. The trade unions feel that the population should also be compensated to some extent for these additional expenditures.

Moreover, some prices are set at the local level. That is why the trade unions feel that in the treaty between the Union and the union republics it is important to stipulate rules and amounts for compensation relating to price increases the setting of which is the competence of local organs of power (everyday services and municipal transportation, including busses, trolleys, trams, and subway).

Speaking about the proposed rate and wage hike in the productive branches, V. P. Shcherbakov pointed out that the trade unions consider this only a compensatory measure. In the near future it will be necessary to prepare and implement a parallel, complex wage reform in the country, using the setting of the cost of manpower on the labor market as a starting point.

The rules for taxation of compensational payments must be more precisely determined. Today, due to the instability of operations in industry, the sharp fall in volume of production, and the introduction of additional taxes and collections from enterprises, many enterprises are already unable to pay even the basic wage. The proposed changes in the tax laws are not borne out by thorough calculations and are in need of serious analysis.

The trade unions are also insisting that it is essential to determine concrete rules and amounts for compensation to owners of investments and securities.

The VKP chairman paid special attention to the very important question of introducing income indexation starting the second quarter of the current year. Understandably, since the reform in price formation, the "creeping" rise in prices has not abated. This means a mechanism is needed to guarantee new payments to the population in connection with the further trend toward very high prices. Unfortunately, the agenda for the current session of the Supreme Soviet in February and March does not include an item on the draft law on indexation.

In conclusion, V. P. Shcherbakov dwelt on the problem of interaction between the trade unions and the country's leadership. Today there is no precise system of relations between the president, the government, and the trade unions. This is not for the good of the cause. It is no longer possible to ignore the position of the trade unions, which express the interests of tens of millions of people.

The dialogue was continued by the chairman of the State Committee on Labor (Goskomtrud), V. I. Shcherbakov. He provided clarification on several disputed issues, agreeing with some of the trade unions' comments and proposals and not with others. He said that anticipatory compensation would be mandatory for children, pensioners, and students. For other categories of the population the payment procedure must be established by the local organs and enterprise administrations subject to the approval of the trade unions. This is connected with the fact that the money would simply not make it back to the bank. But so that compensations are in any case clearly visible to everyone, it is proposed to make the payments according to a separate list.

The Goskomtrud chairman expressed his categorical disagreement with the proposal of several branch trade unions to increase tariff rates and wages by a factor of 1.7-2. Unrestrained pumping of money in the absence of goods would destroy everything accomplished in the last five years. The countryside already has experience in this: so much money was sent there that they could calmly decrease their production of output. . . . However, workers in the sociocultural sphere is a separate matter: doctors and teachers, who receive quite a lot less than average for the country, and for this category of workers a substantial pay increase is envisaged (as TRUD has already reported).

The Goskomtrud chairman answered every point in the trade unions' demands and comments. Some of his conclusions, I think, came across as quite convincing; others not very; and still others provoked decided disagreement. I will not go into detail, for after the Kremlin meeting the specialists from the trade unions and Goskomtrud are continuing the discussions. I would like to dwell only on one basic point. Speaking about the relations between Goskomtrud and the VKP Council, V. I. Shcherbakov carelessly commented to the effect of why bother to submit materials there since by the time they were getting around to it a trade union worker (someone was named) was laying it out in TRUD. (I should explain that he was talking about materials on the "consumer market basket" and the subsistence minimum.) Those present didn't understand whether the worker had disclosed some secrets and now the VKP Council couldn't be trusted or whether he didn't have the right to express his own opinion and criticize Goskomtrud.

The VKP chairman did not let this go by unnoticed and immediately demanded an explanation, defending the worker's honor. V. I. Shcherbakov explained that it wasn't a matter of secrets but of the fact that calculations made by Goskomtrud had been criticized in TRUD. Moreover, the accusation was addressed not only at trade union workers but especially at the author of these lines. This, it turns out, is how I drew Vladimir Ivanovich's ire. Yes, evidently, he doesn't like criticism at all if he considered it possible to state his accusations on such an insignificant matter at a meeting with the president of the Soviet Union. I feel very bad for Vladimir Ivanovich

that today he can't declare Goskomtrud off limits to criticism. Nevertheless, following the principles of pluralism and openness, we are inviting V. I. Shcherbakov to have his say on the pages of TRUD.

This minor incident provoked new questions (especially from the chairman of the All-Union Federation of Trade Unions of Auto and Road Workers, L. A. Yakovlev, and from the chairman of the Central Committee of the Trade Union of Shipbuilding Workers, V. K. Durkin): Why was Goskomtrud working without the trade unions on materials affecting the important interests of people? Wouldn't it be better to find a compromise during the work process and not, for example, during a battle in the parliament? V. I. Shcherbakov gave various replies. In one case he asked to be forgiven, and in another he said that Goskomtrud would hold a roundtable on television with the trade unions.

Here the president interrupted with a brief but very important comment:

"But the trade unions are not in the business of propaganda. You need to work together."

In the course of the meeting the most crucial issues were raised: on unemployment, especially in connection with the very complicated situation in light industry (the chairman of the Central Committee of the Trade Union of Workers in the Textile and Light Industry, M. V. Ikharlova, spoke quite energetically on this point, asking what the labor minister was doing to avert unemployment), on the subsistence minimum and the cost of manpower in the labor market (the chairman of the Moscow Trade Union Federation, M. V. Shmakov, said, "In 1990, according to specialists' estimates, the subsistence minimum in Moscow was 202.90 rubles (R). After eight hours of work a person should be able to earn a living, and that very often is not the case."), on assistance for victims of the Chernobyl catastrophe. . . . There was discussion about infringements on the interests of pensioners in the republics.

The issue of the problems of social insurance was posed most sharply by VKP Deputy Chairman V. V. Kuzmenok. No sooner had this fund been created, he said, than it was being broken up under various pretexts. Some republics are making their own decisions based on local, egotistical interests, and this is hurting other workers. The system of social insurance, as well as pension insurance, is on the verge of collapse. It must finally be understood that for the existence of a single economic space we need a conceptually united system of social insurance and pension security. After all, workers from Azerbaijan might work in Tyumen, for example, and residents of Belorussia in Zapolyarye. . . . How can we allow different laws to apply in different regions? The VKP deputy chairman addressed a request to the president to examine this question at the Federation Council.

[passage omitted]

... At one point M. S. Gorbachev justly accused the trade unions of lacking initiative, fighting spirit, and the ability to defend workers' interests. Today the trade unions' voice is strengthening, and they are becoming an influential force in our uneasy society. This meeting was yet another confirmation of that fact.

### VKP Chairman Interviewed on TU Role in Current Economy

914F0144A Moscow TRUD in Russian 15 Feb 91  
pp 1,2

[Interview with VKP Chairman V. P. Shcherbakov by TRUD trade union editor V. Pisarchik under the rubric "Firsthand Information": "Life Is Very Hard for People"]

[Text]

[TRUD] Vladimir Pavlovich, three and a half months have passed since the Declaration on the Formation of the General Confederation of Trade Unions was signed at the 19th Trade Union Congress. What is your appraisal of the situation in which the confederation and its council began functioning? What problems are now at the center of trade union attention?

[Shcherbakov] I'll begin with what is most important. The situation in the country is critical. Society's political instability has led to a very difficult situation in the economy, that is, in the base, without which there is neither bread, nor heat, nor shelter. Telegrams are pouring into the VKP [General Confederation of Soviet Trade Unions] Council and the branch trade union centers on the situation in the factory shops, manufacturing, and entire plants. In a recent interview for TRUD, the country's prime minister cited the utterly dispiriting fact of the sharp decline in production in January over last year. People are without jobs and the means for existence, not because the market has come but because raw materials and components have not reached them or the heat or electricity has been cut off. If this process of economic decline is not stopped, the country will slip into catastrophe.

[TRUD] The situation is indeed extremely complicated. What in this respect can the VKP and the trade unions as a whole realistically undertake?

[Shcherbakov] I think that above all we must help our workers united in trade unions to understand the main goals we need to join together in fighting. This means above all the Union, our state, which is the chief guarantor for the defense of the common man's interests. Fifteen or more separate states, currencies, customs, and price-tax systems would destroy the country's present-day economic space. The economy would not simply collapse; it would become painfully dependent on countries with major capital. No one is going to feed 300 million people free of charge. Does that really mean we are fated to become a raw materials supplier, a garbage pit for the developed countries?

Already now our colleagues from the International Confederation of Free Trade Unions are talking about the fact that the USSR and the countries of Eastern Europe could become a social reserve of cheap labor for the transnational monopolies. Representatives from the Scandinavian countries foresee millions of low-paid workers streaming out of the USSR. It is painful even to contemplate such a fate for our Fatherland and our fellow citizens. I am certain that the duty of the VKP and all of the country's trade unions in this difficult time is to raise their voice in defense of a revitalized USSR, a strong and independent state.

And it is the trade unions, whose structure unites workers from all branches of the economy and the union and autonomous republics, that are being called upon to prove themselves more actively as a stabilizing factor in society on the basis of defending workers' interests.

I have in a mind a system of collective demands: from the enterprise on up to the whole country. Recently TRUD published two articles in a row, one from Belorussia, the other from KamAZ. The Belorussian Council of Federations of Trade Unions decisively protested against any delay in concluding an agreement between the government and the republic's trade unions, which in essence keeps the mechanism for the population's social defense from going into effect. The KamAZ trade union, on the other hand, announced that there would be no social upheavals or unemployment in the association. The collective contract for 1991 formulated a system involving the most important social guarantees. It established that the trade union is the sole juridical organ for the defense of the social interests and rights of workers and its demands are law for the administration.

[TRUD] Vladimir Pavlovich, we know that many administrators and directors of councils, branches, and republic governments are delaying the conclusion of contracts and agreements or rejecting them altogether, citing the economy's instability, the disruption of supplies, and so forth.

[Shcherbakov] This situation does not add to the stability of labor collectives or, indeed, our whole society. On the contrary, in this very complex situation we need to activate all our reserves to ease the situation for working people and to strengthen their confidence in the coming day. Let me repeat that the universal conclusion of collective contracts and agreements for 1991 is the trade unions' primary goal. Understandably, we have to fight for that goal today.

[TRUD] In this situation, clearly, the fact that the VKP has yet to reach an agreement with the government comes into play. Is that right?

[Shcherbakov] I think so. Although I'll say frankly that the delay is largely due to the country's change of government. Immediately after the conference we undertook a whole series of steps to halt the attack on workers' interests. A draft agreement between the VKP Council and the government was sent to the Council of Ministers.



In January we sent a further refined text of the draft agreement for the second time to the Cabinet of Ministers. The basic ideas invested in the agreement come out of the existing reality and necessity to take measures to stabilize the situation in the country and give people confidence if only with respect to the minimum of social guarantees. On 7 February we published the basic provisions of the draft of this agreement in TRUD.

At a meeting with the chairman of the Cabinet of Ministers, V. S. Pavlov, we agreed that the government and the trade unions, in the person of the VKP, will reach an agreement on this document in the near future.

I want to report that in the next few days we will submit proposals for a draft union treaty to the Council of Federations and the Cabinet of Ministers. The VKP Council also considers it essential to hold a meeting without delay with the president, the chairman of the Supreme Soviet, and the Cabinet of Ministers at which we can reach an agreement on principles for interrelations between the VKP and the newly formed organs of state power and administration and draw attention to the most important socioeconomic problems and demands advanced by the trade union organizations of labor collectives.

We intend as well to submit proposals to the Presidium of the Supreme Soviet for utilizing some extra-budget funds for the stabilization of the Soviet economy to resolve the population's most critical social problems and to the national and union republic governments on a mechanism for denationalization and privatization and on the participation in this work by the trade unions, whose goal is to ensure priority for labor collectives' interests.

[TRUD] In a television interview after your election as VKP chairman you said that the first step in the development of the country's trade union movement in the new stage will be the fight for a trade union law.

[Shcherbakov] Yes, our attention during these months since the 19th Congress has been concentrated on protecting the socioeconomic interests of workers through parliamentary activity and dialogue with the government.

In December the USSR law "On Trade Unions, Their Rights, and Guarantees of Their Activity" was passed, repudiating well-known efforts to put the trade unions under the control of state organs. Trade union rights were defended for the concluding of collective contracts and agreements and participation in the resolution of issues connected with the dismissal of workers and the shut down or closing of enterprises. Social guarantees for trade union activists were strengthened.

The trade unions stood at the sources of the foundations of national employment legislation and republics' draft laws on employment. Our persistence is easily explained. According to Goskomstat [State Committee for Statistics] data, there are already two million unemployed in

the country today. These laws, in essence, are the first legal acts intended to protect the worker from the market element. It is important above all to guarantee state assistance for dismissed workers. We have insisted precisely on the state's responsibility. For all our respect for the charitable funds, such as that created by the newspaper RABOCHAYA TRIBUNA, we feel that a person should have a legal guarantee and not rely solely on the charity of wellwishers.

In my view, at the present time parliamentary activity for the trade unions is becoming one of the basic levers of influence on the state's economic and social policy. Right now we are thoroughly preparing for the 5th session of the Supreme Soviet.

[TRUD] Isn't it a paradox: the parliament passes law after law, and people's lives not only do not improve but continue to worsen?

[Shcherbakov] The population's standard of living is indeed falling catastrophically. There are no goods. Prices are rising by the day. But not because so many laws are being passed. It's because the economy functions poorly, and reform in price formation is long overdue.

[TRUD] Now all the price formation reforms, as a rule, are directed at price increases. Are you in favor of that?

[Shcherbakov] I'm in favor of prices being low and wages high. But that's the ideal. What do we see in reality? A virtual debauch, I'd even say a bacchanalia, of prices. Someone makes an agreement with someone else, but the worker coming home from his shift has to pay triple for ten eggs and a piece of meat. And without any compensation, I would emphasize. If the levels of prices, wages, pensions, stipends, and in general are not going to correspond to one another structurally, and additional expenses of the population are not compensated (and in advance, not afterward), it is unlikely the proposed price formation reform will be accepted by the workers, and that means by the trade unions as well. We cannot agree to any proposal to work out an income-indexing mechanism according to price increases after the start of the reform. In that case a one-time compensation would be no more than a sop to the workers.

The trade unions' demand to the government and the Supreme Soviet with respect to compensation is reflected in the VKP Declaration, which was published in TRUD on 30 January. I have already spoken about this at our meeting with Prime Minister V. S. Pavlov. Also in the interview printed in TRUD he confirmed the government's agreement with the trade unions' point of view.

[TRUD] Let's go back to the laws and the upcoming 5th session of the Supreme Soviet. What are the trade unions bringing along?

[Shcherbakov] A packet of draft bills that should create a system of social defense for the population under market



conditions on the basis of at least minimal guarantees. I would stress that passage of these laws is long since overdue. If they are not passed immediately it will simply be too late. Social tension has reached a critical point. Life is very hard for people.

The VKP has prepared and submitted to the Supreme Soviet the following draft laws:

- on income indexation to account for changes in prices for consumer goods and services;
- on the standard of living (the consumer market basket, family budgets);
- on legislative foundations for the USSR and the republics on price formation in the USSR;
- on collective contracts and agreements;
- on introducing changes and additions to legislative acts of the USSR on labor, denationalization, and privatization.

For now I will stop with this list, although there are other bills. In doing so we recognize the fact that if laws ensuring uniform minimum social guarantees for workers are not passed at this session, we will be forced to resort to what means of defense we have at our disposal.

[TRUD] To continue the parliamentary theme, perhaps it would not be out of line to recall that at the 19th congress several just criticisms were addressed to the trade union deputy bloc. What do you, being both a people's deputy and the VKP chairman, think about this?

[Shcherbakov] Today I would not be afraid to assert that the country's trade union center has reexamined its relation both to work in the parliament as a whole and to people's deputies from the trade unions. This has already yielded results at the 14th Congress of People's Deputies and the 4th session of the Supreme Soviet. By the way, as a result of rotation, the number of deputies from the trade unions in the Supreme Soviet has increased from 23 to 28.

However, one and a half years of parliamentary experience has shown that we cannot limit ourselves to working with only our hundred deputies. After all the proportion of deputy groups from the trade unions in the parliament and the congress is approximately five percent. This means we need allies. And there are such allies potentially: worker deputies, agrarians and others. For example, at the 4th Congress of People's Deputies a parliamentary group of workers was formed. Let's make a few calculations. There are 402 workers among the people's deputies and 133 among the members of the Supreme Soviet. If they were to unite with deputies from the kolkhozes and trade unions, then one out of every three votes would come from the active membership of this alliance.

[TRUD] Vladimir Pavlovich, it's not hard to surmise that the first months of the VKP's coming into being have been characterized by many "internal" problems. Is the confederation expanding its membership?

[Shcherbakov] Naturally, with the formation of the General Confederation of Soviet Trade Unions, the process of democratizing the trade union structure and forming trade union organs is not yet complete. New branch and inter-union federations, confederations, and trade unions are being created. For example, today in the country instead of the former 33 branch professional associations, there are already 44; Twenty-seven branch associations (plus five more that have submitted the appropriate documents) and nine republic trade union centers have applied to join the VKP as of today. Here we must keep in mind the time factor, inasmuch as the decision to enter the VKP is passed at the plenums of the corresponding trade union associations. The trade union centers of the Baltic republics and Georgia have come out with a proposal for cooperation with the VKP on a contractual basis.

[TRUD] Can it be considered that both the VKP Council as an elective organ and its apparatus are already working at full power? After all, up until very recently the trade union center was still feverish from personnel shakeups.

[Shcherbakov] The structure of the VKP Council is virtually in place, and the period of putting together staff is coming to an end. By the way, the resolution of the Council's Presidium of 30 November 1990 sets the size of the apparatus at 280. At the time of the AUCCTU's [All-Union Central Council of Trade Unions] disbandment, 524 people were working in the apparatus, and as of now 232 workers have been hired for the apparatus of the VKP Council. New directors are heading up all departments of the VKP Council and working groups.

[TRUD] I know they haven't had it so sweet since the very start of work. Here's one example. Right now many workers are blaming the trade unions as a whole and the VKP Council in particular for the doubling, tripling, and even greater price hikes for trips to sanatoria.

[Shcherbakov] But that isn't really fair. Back in December of last year the Presidium of the VKP Council passed a resolution on a procedure for setting prices for trips to trade union sanatoria and measures for compensating workers for expenses in connection with the change in the cost of trips. According to the statement of the republic trade union center, during the first half of this year, in compliance with this resolution, the Presidium of the VKP Council must set prices for trips to national sanatoria as well as resorts with special natural treatment factors. That is, it was a matter of new prices starting 1 July after the strictest analysis of their justification. The republic trade union centers were supposed to apply this work to all remaining sanatoria located on their territory. It was also proposed to transfer the distribution of trips to those sanatoria to the republic

trade union centers in order to raise their interest in developing the resorts and improving services for the workers. The resolution proposes a mechanism for compensating workers for the increased cost of trips.

But what is going on now with prices for trips is the result of independent local activity.

[TRUD] By the way, our editorial offices receive many letters asking for clarification: will the cost of trips be compensated for only to trade union sanatoria or to departmental sanatoria as well? After all, in the latter, prices for trips have already been raised to 1,000-1,200 rubles (R)!

[Shcherbakov] The trade union committees must be able to compensate for the cost of any trip from any department. The chief source out of which the trade unions can compensate for trip expenses is the social insurance budget, out of which, by the way, the trade unions can and should resolve not only the problem of sanatorium-resort treatment but also a wide range of other issues, such as vacations for nearly 20 million children, grants for special diets, sanatorium-clinic maintenance, increased subsidies, physical rehabilitation work, and much more. However, there are very sharp disputes going on right now around the social insurance budget and administration.

[TRUD] What about?

[Shcherbakov] There is actually a "war" going on between branch and regional interests, and the ambitions of different trade union leaders are clashing. Some say you have to allocate the budget over the branches. Others, who receive elevated coefficients from their republic governments for their social insurance budget, seem to have taken up a good cause, but they make the existence of a single union fund impossible.

[TRUD] Well, could it be that a single all-union fund isn't necessary?

[Shcherbakov] Within the framework of a single economic space, a single labor market, and a single state, you can't get along without a single social insurance fund. What arguments are there for this?

Let's examine the branch approach. In the textile industry, for example, more than 80 percent of the workers are women. Naturally, this branch has much higher expenditures for childbirth and child care subsidies. The branch social insurance budget, of course, isn't enough. It needs help. But let's think about that. Are the textile workers bearing children only "for the textile industry"? No, their children will also be metallurgists and agrarians and builders.

As to the territorial aspect, is it Belorussia's fault that it has been blanketed by the Chernobyl cloud? Here we need to treat people, take children and women with children out to clean zones. That entails additional expenses from the social insurance fund.

There are other issues as well. More than 3.5 million adolescents are now taking classes at the trade unions' children and youth sport schools. I would note that many of them are "difficult." Over R200 million must be spent on maintaining the schools, again out of the social insurance fund. And here there is no getting along without a single fund: you can't ask each one which trade union his parents belong to, and there aren't the same number of schools in the various regions.

We have already seen many school closings. Telegrams are coming in to the VKP from parents and teachers protesting this. And I support them: imagine what would happen if 3.5 million adolescents wound up on the street. I'm afraid that in this situation even joint patrols would not help.

If we are united trade unions, then we bear responsibility before all workers regardless of the branch they work in or the territory on which they live. I'll clarify this with an example. In the Crimea there is a sanatorium for people with spinal problems called Saki. These are seriously ill, suffering people. A trip to this sanatorium, although the patient did not pay this money, actually used to cost R3,000. Right now it would probably cost more. Who will be making up the cost of these trips if the social insurance budget is split up? The enterprise's trade union committee? It won't stretch that far. The regional trade union center? Then it's going to give out the trips. To whom? The region's inhabitants, naturally. Of course, these kinds of nationally necessary sanatoria must be financed out of a single fund and be common property.

In the three and a half months since the 19th Trade Union Congress, the leaders of the VKP have been consulting actively with all member organizations on the problems of trade union property and the social insurance budget. Individual disagreements remain, but basic approaches have been found. These issues will be brought up for discussion in March by the VKP Council. And a decision will be made in accordance with the interests of the workers.

[TRUD] Many lances have been broken in the battle for the independence of the primary organizations, especially financial independence. Naturally, everyone wants a fat purse. But hasn't the new financing procedure taken a toll on the productivity of the work of the country's trade union center and of the trade unions as a whole?

[Shcherbakov] I would characterize this process as dashing from one extreme to the other. From inordinate centralization to the dissipation of trade union funds and trade union opportunities along with it. Suffice it to say that according to the analysis we have, nearly R280 million are lying inert right now in the primary organizations, while the basic directions of trade union activity lack sufficient financing.

This problem too must be resolved in the context of trade union unity. United trade unions must dispose of concentrated financial resources, "solidarity funds," so to speak, in order to be able to help workers who find

themselves in a difficult situation either due to a strike struggle or due to natural disaster. Proposals for the creation of a "solidarity fund" on an all-union level as well as others were supported by the 19th Trade Union Congress, and we are obligated to carry them out.

Of course, we are not counting on member dues exclusively. The VKP's financial service is working up all possible variations of economic, banking, and commercial activity that might yield additional funds for the normal functioning of the trade union center. This could include a shift to full cost accounting for subordinate organizations, individual structural subdivisions working with elements of cost accounting, the creation of joint-stock companies and small enterprises, as well as the broad network of a trade union banking system.

[TRUD] Vladimir Pavlovich, from this conversation with you, as well from my own observations of the VKP Council's work, it is clear that the confederation is functioning and has had definite results. Nevertheless, here at the editorial offices we often get letters in which people confess that they know very little about the activities of the highest trade union organ. Often they talk about the fact that they see and hear nothing of the VKP.

[Shcherbakov] I agree with those people. We are indeed poorly seen and heard. Partly because the trade unions themselves do not always react energetically to critical situations in the life of the country, to processes that threaten workers' standard of living and interests.

But the chief cause lies in the still weak provision of information on the activities of the VKP and trade unions as a whole. Up until now we have not taken advantage of television and radio opportunities. Agreement has now been reached with the directors of the state television company on creating a system for this work.

We are seeing that many trade union publications are in need of fundamental reform. They are simply out of step with life.

TRUD is a separate discussion. It is a daily newspaper with the largest circulation in the world. Tens of millions of people read it. This is not only the trade unions' newspaper; TRUD is the property of our whole society. Right now, however, the newspaper is in a difficult position. It does not have its own printing base. Price gouging for paper and delivery is leading it to the brink of financial catastrophe. We cannot let this happen. Right now we are working on the newspaper's printing problem in the most attentive and active way possible, trying to draw in foreign firms and hard currency capital. We are working persistently with the government and suppliers for more acceptable paper prices.

[TRUD] The law "On trade unions . . ." provides for all trade unions in the USSR being equal. How does the VKP take into account the fact that it is working in conditions when alternative trade union movements exist?

[Shcherbakov] We are carefully studying the programs, means, and work methods of the other trade unions. Some we are collaborating with; some we are arguing with, and some are not joining the dialogue. We are seeing that some actions of the "new" trade unions bear a speculative nature directed at achieving advantages for some at the expense of others.

What conclusion can we draw from our observations of the development of alternative movements? As we enter into market conditions, we must decide what our trade unions represent. Are they really associations of all workers or are we trade unions that represent the interests only of hired workers, and employers in various forms of property are going to unite in their own union of entrepreneurs? Time is forcing us to set about finding an answer to this question, without further delay.

In our opinion, there is a grave need today to answer the seemingly simple question of why people join trade unions.

Here, for instance, we have the distribution of scarce goods, food, coupons, and so on. Many voices have been heard to the effect that this is not a trade union matter. That you can't be nice to everyone, and that the only result is lumps on the head of the trade union committee. Seemingly that would all be true if behind it all there was not a real person, our trade union member, who cares less about the trade union committee's head than about where to get a piece of sausage, a carton of milk, a suit, and shoes for his family.

These urgent life problems cannot be fended off with promises like "if it comes to that, we'll go out on strike." A person needs concrete assistance, and he has a right to expect it from his trade union organization.

No trade union worker today—or ever, in fact—can act according to rules or plans. The main thing is to respond to the most critical problems of concern to the people who have united in the trade unions for the collective defense of their interests.

There can be no more important task for any trade union committee or for the VKP Council.

### **Free Trade Unions Association Chairman Discusses Members' Roles**

*914F0148A Moscow TRUD in Russian 21 Feb 91 p 3*

[Interview with B. M. Fedorov, chairman of the Association of Free Trade Unions of Small, International, Lease, Joint-Stock, Collective, Cooperative, Individual, and Other Enterprises and Organizations, by TRUD trade union correspondent A. Kozlov; date not given: "We Have Found Our Niche": Leader on the Creation of the ASPS MAKKIP SSSR"]

[Text] Moscow—Many people know that, apart from the General Confederation of Soviet Trade Unions (VKP), there exist alternative trade unions. TRUD has already

talked about some of them. Today we are publishing a conversation with the chairman of the Presidium of the Central Committee of the Association of Free Trade Unions of Small, International, Lease, Joint-Stock, Collective, Cooperative, Individual, and Other Enterprises and Organizations (ASPS MAKKIP), V. M. Fedorov.

[TRUD] Boris Mikhaylovich, judging by the name of your association, it is trying to unite people not according to professional categories but by types of property of the enterprises where they work.

[Fedorov] The Declaration of Principles of the MAKKIP trade union center says that our trade unions favor a socialist orientation for society and a market economy, understanding socialism as a social structure of civilized cooperative members. In accordance with this, we support and defend workers' collective entrepreneurship in all its forms and oppose any monopolism in the economy. The trade union center is in favor of the formation of unions of entrepreneurs and leasers, their participation in philanthropic, cultural, and charitable activities on a permanent basis, and the rejection by entrepreneurs, leasers, and individuals of the primacy of their egotistical interests over the interests of the workers. Our trade unions are against monopolism in the trade union movement; they are in favor of the equality of all trade unions to represent and defend their members' interests in concluding agreements with organs of power and administration at all levels.

In general, we have organized not to compete with the VKP and other associations but to fill a niche created as a result of changes in the economy's structure. Moreover, to some extent we complement the VKP. But we are in favor of competition among trade unions at the level of enterprises and low-level structures and, at the same time, in favor of cooperating to solve problems in the interests of workers at the level of the government of the country and the republics and the organs of power in the regions. Populism, which the leaders of some trade unions emphasize, is alien to us.

[TRUD] You said that the ASPS MAKKIP has "filled a niche" in the trade union movement. But insofar as I understand, you see the future association outside the framework of the VKP. Pluralism for the sake of pluralism?

[Fedorov] While agreeing with the VKP on strategy for resolving common trade union problems, we nevertheless diverge on tactics. We have a different style and method of work which seem more flexible and mobile to us. In addition, we feel that it is very hard still for cumbersome trade union structures to change their pace, efficiently change course, and make corrections in their actions, especially in situations that change often in our uneasy time.

Therefore, in a comparison of the basic documents of the VKP and the ASPS MAKKIP, although we will find points in common, there are, in our view, important differences.

[TRUD] What, for example?

[Fedorov] If only in the trade unions' spheres of action. VKP organizations function chiefly in state enterprises and in institutions. Our "field of activity" is defined by the very name of the association—as an association of workers in enterprises and organizations of various forms of property.

[TRUD] How many trade union members belong to your association?

[Fedorov] Free trade unions of the MAKKIP are already functioning in 60 regions of the country, joining together more than 70,000 workers. Many of our trade unions are small. But the ranks are filling out steadily. For instance, today the trade union of the Rossiyskiy Kredit commercial bank registered at the ASPS Central Committee.

[TRUD] Boris Mikhaylovich, why, in your opinion, should we join the association?

[Fedorov] I will cite just two reasons. How easy would it be for a small trade union organization (10-15 people) to stand up to the administration in the event of a strike in defense of their rights? How much could it endure without financial support? A day or two—not more. The ASPS MAKKIP has a solidarity fund for these kinds of small trade union organizations. Moreover, we will give them legal assistance when attempts are made to infringe on their interests.

As we know, under the conditions of market relations small enterprises are at great risk of bankruptcy. In order to protect their workers—members of our trade unions—from unemployment, we allocate funds, so to say, for financial "infusions" into those enterprises: to maintain jobs or reprofile enterprises.

[TRUD] What do you consider the basic directions in your work?

[Fedorov] Right now we are working out a plan of action for the transition to the market. We must above all get an objective evaluation of our labor from owners. A person must earn a living, not a subsistence minimum. But how can labor be properly evaluated? We are working on just that question, bringing in scholars and experts. We feel that it is impossible to approach pay for intellectuals, metalworkers, and farmers with one and the same measure. Social equality is equality of everyone before the law, not in pay.

The second problem receiving serious attention, especially from our Russian trade union center, is farming. Farmers, farm leasers, and individual farmers are today the least protected category of workers. So much has been said among us about the necessity to develop agriculture and farming. But little is being done. The government of Russia recently promised a billion rubles for the development of farms in the republic. I doubt that this money will reach the farmers. More likely it will be scattered over hill and dale. Therefore, the thought occurs to centralize funds, creating a central peasant

bank and using the money in the form of credit. We have asked specialists to work out scenarios, and here is what is coming out of it. By 1994 the RSFSR could already have as many as 600,000 farms. We intend to submit our calculations to the government of Russia.

Our trade union center also has its own approach to resolving the problems of employment, especially for youth, and there are proposals for creating an institute for small entrepreneurship and resolving the problems of labor for women. In particular, in our opinion, it should be possible to free up to 30 percent of women from the productive sphere, that is, additional jobs will appear.

[TRUD] Isn't the trade union center taking on too heavy a burden?

[Fedorov] This is what we're doing: we're shouldering a burden, straightening up, and if we feel any strength remaining we take on more. Without studying the entire cluster of problems of small, lease, joint-stock, and other enterprises where our trade unions are operating, we cannot set about to defend workers' interests. Complications and difficulties, of course, abound. And strange as it may seem, most often we encounter obstacles not from the administrative-command structure (business relations are taking shape just fine with them) but with those who call themselves democratic. For instance, it was brought to our attention that under reregistration they intend to transfer small enterprises to municipal property. Is this really the democrats' democratic step?

In general, we are not supporters of voluntarist or extremist approaches to resolving the problems of defending workers' interests.

[TRUD] At the beginning of our conversation, you said that you have no desire to compete with other trade union associations at the all-union level, that you favor cooperation. Is this a tactical move so as not to be "trampled" by rivals while you are just getting on your feet or is it that you understand how much easier it is to act in concert, to stand up to employers together in defense of people's interests?

[Fedorov] In my view, only trade union populists need confrontation and competition in the trade union movement. For instance, one of the "new" trade union centers demanded a high salary for Moscow bus drivers and is proud, as they say, of doing the right thing. What they didn't want to say was that other drivers were left out, that is, that some benefited at others' expense. We are categorically opposed to this kind of "defense," to salary redistribution, to conflicts between people.

The ASPS is prepared to support the actions of all trade unions if they are for the good of people and not of a self-advertising bent. But we have no wish to resemble the soccer referee who whistles on the field nonstop, thereby not letting the players play and making the public nervous. A good referee goes about his difficult business on the field unremarked.

We, for example, like how VKP is starting out. There is a great deal that is rational in the confederation's actions. We have proposed to its leadership registering our representation under the VKP. We are prepared to work out jointly common actions for trade unions on the path to the a market economy, to prepare and utilize normative acts, and to resolve international issues. We already have some experience of similar joint actions with the VKP.

In conclusion I would like to note that the ASPS MAKKIP is still going through its organizational period, that is, it is still putting together its ideas and programs.

**Conversation conducted by A. Kozlov, correspondent of the department of trade union life. Moscow.**

### **Ukrainian TU Official on Forms of Cooperation With Local Authorities**

*914F0145A Moscow TRUD in Russian 14 Feb 91 p 2*

[Interview in Kiev with Anatoliy Yeremeyevich Rybak, secretary, Council of the Federation of Independent Ukrainian Trade Unions, by I. Ostrovskiy, TRUD staff correspondent: "The Rescue of Drowning Persons is the Task of Those Who Pushed Them Into the Water"]

[Text]—Kiev The Third Session of the Ukrainian Supreme Soviet started on the first of February. Without entering into political discussions, the deputies began discussing a package of laws without which the transition to the market is impossible. The life of millions of workers depends on them. Did the Council of the Federation of Independent Ukrainian Trade Unions have the opportunity to study the drafts of these laws beforehand? Did it try to defend the interests of the working people? Did it find forms of collaboration with the parliament? Anatoliy Yeremeyevich Rybak, secretary of the Council of the Federation of Independent Ukrainian Trade Unions, answered these questions which were asked by the TRUD correspondent.

[Rybak] Since the first sessions of the republic Supreme Soviet, we have found a common language with the deputies and their commissions. The unanimous conclusion was that draft laws pertaining to the people's living conditions must without fail be examined by our specialists. I note that we participated more and more actively in the examination and expert assessment of these documents.

[TRUD] The Fourth Session of the USSR Supreme Soviet adopted the Principles of Legislation on Employment of the Population. But the Ukrainian parliament recently adopted the Law on Employment of the UkrSSR Population in its first reading. Did the Federation's Council take part in the preparation of this legislative act?

[Rybak] Yes it did, in the most direct way. We have already been engaged in this work for several months. We examined several drafts of the law. We expressed our



disagreement with the first drafts. The disagreements with the republic government's proposals were so considerable as to initially require a coordinating commission and then joint work with a permanent deputy commission on social policy and labor. Mutually acceptable solutions were reached after long debates and negotiations.

[TRUD] What was the subject of the disputes?

[Rybak] Initially there was disagreement with the government on 15 points. For example, on such a question as the status of an unemployed person. The Council of Ministers suggested that a person who had lost his job, could not find work, and had no source of livelihood other than work be regarded as unemployed. We disagreed with the last part of this formulation. In our estimation, the absence or presence of other sources of livelihood is not of decisive significance in determining a person's social status. What if he has amassed a certain sum of money in a savings bank through the most austere economies and by denying himself the necessities? What if he has an inheritance or income from the sale of products from a vacation home or a garden?

After long debates, the government finally agreed with our arguments. The sources of the unemployment compensation fund were the subject of the greatest degree of disagreement. The Ukrainian Ministry of Labor tried to shift this financial burden to the work collectives. Our stand was that this fund should be created at the budget's expense. After all, many work collectives are already suffering with the transition to the market.

[TRUD] A few words about your arguments and the arguments of your opponents.

[Rybak] The government's arguments are the usual ones. The financial difficulties and the budget deficit. The money situation in the republic is indeed difficult. But we stood our ground and insisted that unemployment compensation must come out of the budget. This is how we reinforced our position: the first session of the republic's Supreme Soviet proclaimed the Ukraine's economic sovereignty. It guaranteed every citizen the right to employment and to life with dignity. Can it renounce these guarantees the first time things become difficult? The government accepted our proposal. Three percent of republic and local budgets are allocated to form the unemployment assistance and job placement fund.

[TRUD] Are there differences between republic and national law on employment?

[Rybak] We are certain that we have succeeded in creating more favorable conditions for the working people of the Ukraine. There was considerable debate concerning unemployment compensation. The government proposed that it be limited to 50 percent of average earnings and took pride in the fact that it was more generous than national unemployment compensation which is limited to 50 percent of the wage rate. We

argued that it is impossible to live on half of one's earnings, i.e., 100-120 rubles. We ultimately developed the following scale: during the first 3 months after a person loses his job, he will receive 100 percent of his average earnings; in the second 3 months—80 percent; and in the third 3 months—60 percent. Subsequently, he will receive half of his average earnings up to 2 years. We believe, on the one hand, that the descending scale will make it easier to survive such a heavy blow as the loss of a job and that it will at the same time stimulate the active search for a new job. We showed that unemployment compensation and the amount of unemployment compensation should depend on a person's age and the length of time he has worked. You will agree that it is a completely different matter to look for work at 30 and at 50.

So it was that we addressed the questions one by one and resolved 12 out of 15 of the questions on which we disagreed with the government. Consensus was reached on two of the three remaining questions at a session of the deputies' commission with the support of the people's deputies.

[TRUD] Which conflicts were you able to resolve?

[Rybak] First of all, the amount of compensation, the period for which it is paid, and who shall be retrained. A person who wants to change his specialty or upgrade his skill level will receive a stipend equal to his average earnings in his old job for a 6-month period.

[TRUD] No small amount of work has been done. The social protection of the working people has indeed been increased as a result. But are you certain your proposals will survive the final version of the law?

[Rybak] Of course, one cannot be absolutely certain. We realize that the discussion and approval of laws is a creative process. If we speak candidly, the basis for attacking the rights of the working people already inheres in the national law. For example, it places the entire burden of paying unemployment compensation on work collectives and provides for budget subsidies only as of the first of January of the coming year. I repeat that we, however, insisted that payments from the budget in our republic should begin already on the first of January of the current year. I do not know if the republic government will find a loophole in the national legislation and once again try to place part of the financial burden on the shoulders of the working people. We will hope to have the support of the people's deputies.

[TRUD] We have been discussing work under only one—perhaps the most important—law. But what lies ahead of you?

[Rybak] There is a flow of appeals from work collectives and trade union committees to the Council of the Federation of Independent Trade Unions. People are concerned over the fact that the promises are not being kept. The national and republic governments have more than once declared that social protection measures will

precede the transition to the market. But everyone can see for himself what is actually happening. Precedence belongs to rising prices, shortages, and attempts by the government to resolve its problems at the expense of the working people. We therefore believe that a minimum living standard and a minimum wage must be approved immediately. This will be the basis for future work on compensating the rising cost of living. We have examined the law drafted by the UkSSR Ministry of Labor and have found that it does not protect our population. We can submit an alternative draft law based on the calculations of independent specialists to the scrutiny of the Supreme Soviet. Our stand is that the minimum wage must be raised to 125-140 rubles.

[TRUD] The practice of concluding agreements between government bodies and trade unions is expanding throughout the entire nation. What is your position?

[Rybak] We have conducted difficult negotiations with the government on this question. The draft of such an agreement is submitted for its examination. Work on its correction lies ahead.

[TRUD] Can it be concluded from our talk that the Council of the Federation of Independent Trade Unions opposes the government?

[Rybak] We believe that constructive opposition is the only rational tactic for trade unions today. I am certain that we will be able to secure a greater degree of social protection for the working people with the aid of negotiations and a properly substantiated position than we could through confrontation and strikes.

### Manpower Import, Export Consequences Discussed

914F0149A Moscow *RABOCHAYA TRIBUNA* in Russian 20 Feb 91 p 3

[Article by Igor Bestuzhev-Lada: "What Is He Looking for in the Distant Country?: A Sociologist's Forecast: Consequences of the Import and Export of Manpower"]

[Text] **The import and export of manpower is economically beneficial and therefore unavoidable. As bitter world experience shows, however, this is so only up to certain limits and only in certain sectors of the national economy, beyond the scope of which there are more and more negative social consequences.**

Foreign manpower is flowing into the Soviet Union through four channels. [One is] highly qualified workers (primarily specialists with and without diplomas in the area of the construction and organization of industrial production).

For the time being, the influx through this channel is relatively insignificant, just a few thousand people, but it has the tendency to increase in the long term to several tens or even hundreds of thousands of people. The success of the work of mixed, concession, and contract

foreign enterprises depends entirely upon the quantity and quality of this contingent.

A preliminary forecast indicates that it is possible to avoid serious negative consequences only by observing two conditions. The first is the building of small settlements or buildings with a closed cycle of cultural and domestic services at the level of Western standards.

The second is the guaranteeing of personal security to those arriving through special guard forces, for the difference in the level and quality of their life and labor as compared with the surrounding social environment will be so apparent that it will inevitably embitter part of the population. Just as inevitably, this will give an additional impulse to aggressive criminal actions and other excesses. We note that the government in Russia prior to Peter would never have been able to attract so many foreigners to service if special well-guarded settlements had not been built for them. We also note that the security of those arriving can be reliably guaranteed not so much through police forces as through neighboring settlements (or buildings), with the settlement of our workers there under conditions of increased general comfort. They will work together with the foreigners at the corresponding enterprises. Experience shows that "buffer zones" of this kind will significantly alleviate the social tension arising because of the difference in the living conditions of workers.

By its nature the flow of foreign farmers and agricultural specialists is closely related to the preceding channel. It, in turn, is subdivided into three flows. There is already an influx of Chinese peasants to individual parcels of land in Central Asia and the Far East, where they introduce substantially higher standards of agricultural work and where accordingly they receive harvests several times greater. As experimental bases for the spreading of advanced experience among the local population, such agricultural enterprises are certainly worthy of attention and systematic expansion but only to certain limits (under economic, sociological, and political criteria).

Those who follow them will inevitably encounter millions of unemployed persons in Central Asia under the conditions of an increasing lack of arable land and water. And in the Far East, with its sparse population, the situation may get completely out of control.

There is still another just noticed influx of Dutch and other West European farmers to the expanses of the Nonchernozem devastated by "collectivization" with the purpose of establishing exemplary farms there and subsequently of bringing the surrounding local farms up to their level. Everything that was just said about the other flows can also be said about this one.

An influx of "surplus" manpower from the native population of the Central Asian republics to those same devastated expanses of the Nonchernozem has already begun. This flow adapts more easily to the local conditions than the preceding two but precisely for this reason there may be a temptation to force it. And then sooner or

later social and national tensions will arise in the Nonchernozem that are characteristic of regions of Transcaucasia and Central Asia today.

Still another channel is that of workers of average skills similar in life style to our workers, who come to those areas of production where we have a chronic manpower shortage. A typical example is that of Bulgarian lumbermen or Polish builders. This channel is much larger than the preceding two: it is now said that several tens of thousands of people are involved in it. It appears to us that there are the fewest potential tensions here, for the difference in the standard and quality of life with respect to the surrounding social environment is not especially great (although there is still some difference and, of course, not in our favor), the culture is generally about the same, and the direction of the flow is toward vacancies that are unattractive in the eyes of the local population. In our opinion, however, precisely this flow is not promising, because ahead of us, as will be discussed later, lies an inevitable increase in complications with the problem of employment, and this will just as inevitably lead to increasing conflicts in the labor market.

Workers with low skills or without any qualifications at all are directed to conveyors, flow-line production in light industry—in general, to the lowest-paid work that is least attractive for the local population. A typical example is that of Vietnamese workers, men and women, the total number of which is gradually approaching 100,000, at the conveyors of motor vehicle plants and as sewing machine operators at factories for sewn goods in Moscow and other major cities of the country.

The enormous social outlays having to do with the "ceiling," about which everyone is familiar, do not compare with the potential dangers with which the expanded use of "Gastarbeiter" [guest workers] is fraught, especially in an economy lacking the normal market regulators and wounded by total shortages.

It was not difficult to foresee the consequences: a growing shift of scarce material goods out of an economically more developed country to one that is less developed, the formation on these grounds of a "black market" with its inseparable companion—the mafia (wonderfully well organized in the case at hand), the inevitable confrontation between the "newcomer" mafia and the local commercial and criminal mafia under the conditions of the growing dissatisfaction of the population with the organized buying up of scarce goods from under their noses and the corresponding increase in conflicts in daily life. And this is on the threshold of a

counterflow of thousands of local aspirants to jobs that have heretofore not been attractive to them!

It is hardly appropriate here to forecast scenarios for situations that may become the sad reality in the event of the spread of the unfortunate practice of mending present tears in public production without considering the truly dramatic consequences in the very near future. In the case at hand, the forecast leads to the unequivocal recommendation: it is possible to return more quickly to the practice of providing aid to fraternal countries through the short-term training of the skilled workers needed there with emphasis on the building of the corresponding industrial enterprises in the localities.

By the way, an analogous recommendation also applies to the rapidly growing number of workers in the republics of Central Asia: not to be tempted to import cheap and at first glance seemingly unpretentious manpower into the existing industrial centers. Instead, it is possible to build industrial enterprises near the sources of manpower, even if this is somewhat more costly. The social and political gain will greatly exceed the economic losses. And conversely: the immediate economic gain may produce menacing social and political shocks within just a few years.

Our review will be incomplete if we do not also mention one other flow—more precisely, the quantitatively small counterflow of those going to an economically more developed country to earn money. In contrast to the many thousands, if not tens of thousands, of our specialists in developing countries (that have problems of their own going beyond the bounds of our presentation), which have become customary, it is a matter of several hundred (now, possibly, several thousand) Estonians who have gone to neighboring Finland to earn money. It was not difficult to envision the consequences in the case at hand: in our country, these people were relatively highly paid skilled workers, whereas in Finland, which until now has gotten along without "Gastarbeiter," they ended up precisely in the position of the latter, with the lowest wages and corresponding prestige. The natural result was the rise of frustration, as the psychologists say: disappointment and bitterness.

These are some of the elements of the forecast substantiation and expansion of the extent of the import (and export) of manpower. We examined them to help the reader more confidently overcome the psychological barrier of "futuorhobia" and to show the constructive possibilities of our proposed research technology for the improvement of the effectiveness of decisions in the area of social administration.

## CIVIL AVIATION

## Conversion Plans in Aviation Industry

91UM0273A Moscow IZVESTIYA in Russian  
15 Jan 91 Union Edition p 2

[Article by A. Kuvshinnikov: "DO NOT CLIP MAP WINGS—Conversion in the Aviation Industry: Gossplan's Way Violates Common Sense"]

[Text] The Soviet economy is so antediluvian that it virtually cannot be integrated into the international system. If it does not join the world economic system, any discussion of changing over to a market economy would be absurd. This leads to an exclusive circle. A chance of breaking out of it is offered by conversion.

Many branches of the military-industrial complex which we consider as the most developed have been determined to measure up to world-class standards. Foreign specialists are of the opinion that we stand the greatest chances of becoming a part of an international division of labor in the case of the Soviet aviation industry.

Conversion in the Ministry of the Aviation Industry is a matter of serious activity. The Ministry has come the closest of all other defense departments to developing a total and systematic program concept for branch conversion, one presented a number of times by representatives of the MAP [Ministry of the Aviation Industry] at major international conferences.

Anatoliy Bratukhin, USSR aviation industry deputy minister and a manager responsible for carrying out conversion in the industry, has stated that the program concept is now in finished form from the internal branch viewpoint. However, before the final version is approved it is necessary to go over the project at the international level, the purpose being to incorporate changes reflecting the desires of the foreign partners participating in the program and to synchronize the latter with the existing system of international cooperation.

A. Bratukhin has explained the program's essence clearly and concisely: "First and foremost, the aviation industry should produce a sufficient number of civilian aircraft. The concept is intended to accomplish by means of wide international cooperation a triune goal: the creation of new models of civilian aircraft; mass production of said aircraft for the internal market; and advancement to the external market. Indispensable to the accomplishment of this goal are, first, the removal of secrecy restrictions for which there is no longer any need, and, second, the granting—in deed, not in word—of commercial independence to industry enterprises, associations, design bureaus, and institutes, to include matters of foreign economic activity. This will make it possible to employ their scientific, technical, and manufacturing potential with maximum effectiveness. The Ministry's task here is to orient and coordinate their activity."

Of all the tasks listed by the deputy minister, the general public hears the most about our aircraft being involved with foreign exchange. Numerous writings in various newspapers create the impression that all the MAP's export plans are limited to sale of Il-96-300 and Tu-204 aircraft. This gives rise to both bewilderment—Why bite off more than you can chew?—and indignation: Just look at what we have to fly!

It turns out that the subject boils down to an aspect of external economic activity, one that is not particularly extensive, at that. The gist of the matter is that leading aircraft builders of the U.S. and Europe have such a stack of orders that it will take them decades to fill them, but our abovementioned aircraft can take care of only a certain amount of unsatisfied demand. However, I repeat that this is an aspect, a random coincidence of circumstances that for us has turned out to be favorable.

Export strategy is not based on randomness, but rather on a search for regularities in the market. It pivots about the application of international cooperation to effect joint development and mass production of new aircraft types that are needed in the internal market and in addition are "planned" to be highly competitive on the external market.

For example, West European companies are busy developing a new aircraft that will be used by medium-size lines to carry 75 to 100 passengers, an airplane intended to fill an existing market niche. Work on this kind of aircraft—the Tu-334—is in progress in the USSR. Exchange of opinions has made it possible to arrive at an agreement to use joint forces for the creation of a type model that will be offered in a wide number of versions to suit various markets.

Similarly, it is planned to become involved in international design of a multiple-passenger supersonic liner. This is the basis for Gulfstream's producing a supersonic business-type craft that can carry 15 to 40 passengers and fly distances up to 9,000 kilometers.

These projects are based on a division of labor: The Soviet side produces the airframe, the other partners, the engines and electronic equipment. As far as the engines are concerned, ours for some reason are not considered adequate. However, A. Bratukhin claims that Snecma (France) and General Electric (U.S.) are already studying the possibility of employing the D-90 engine, developed for the Il-96 and the Tu-204, in European and American airliners.

Our intention to fit export versions of Soviet aircraft with American and English engines is dictated primarily by an attempt to accelerate aircraft availability in the world market, since the Western engines in contradistinction to ours have long possessed the necessary international certification. International experts are of the opinion that the certification barrier existing for the Soviet aircraft industry is definitely surmountable. This will however require time, and in this case time is money.

Now about the third direction of the aviation industry's conversion program: production of new materials and assemblies. A special role is assigned in international cooperation to the development of metallurgical production for the aviation industry. This is our acknowledged forte. The enormous possibilities of involving extremely large foreign companies in cooperation—primarily production of aircraft engines—have led to removing the secrecy label from many areas of titanium metallurgy. In progress in the field of aluminum alloys is the development of a program for cooperating with the very large multinational Alcoa Corporation relative to production of weldable aluminum-lithium heat-resistant alloys for use in supersonic passenger aircraft, and aluminum alloys for cryogenic technology.

Talks, intentions, research and development. Something has already come of the above: Joint enterprises and design groups are even now busy, but they as yet have not started to influence the industry. It is necessary to exercise patience: The decades of industry isolation exacerbated by highly stringent security classification cannot be overcome in a year or even two years.

There are however other problems that exert a considerable effect on increasing the output of civilian aircraft. Abolishment of the Ministry of Machine Building led to the Minaviaprom's [Ministry of the Aviation Industry's] being named responsible for technical supervision and complete satisfaction of the needs of the economy for 14 technological systems for use in light industry and 7 systems in processing branches of the agro-industrial complex.

The Minaviaprom is tasked to create and produce, by 1995, in sufficient quantities with its own resources 570 new equipment models for light industry and 317 for the agro-industrial complex.

The Gosplan made the above decision in 1987 without going into deep analysis of the particulars of the aviation industry. Has the time not come to take issue with this?

Here is A. Bratukhin's point of view, which reflects the position taken by MAP management:

"The Ministry in the last few years has accomplished a great deal of organizational, scientific, and technical work to create and set up production of new types of the abovementioned aircraft. Almost all the industry's OKB's [special design bureaus] and plants were enlisted in this task.

"As a result, conversion today is geared to priority manufacture of civilian aircraft, plus consumer goods, medical equipment, technological equipment for the agricultural and light industries, commerce, and public eating. The time for discussion of the directions conversion should take in the industry has passed. The decisions have been made. They are now being implemented."

The argument is weighty. Nevertheless, to take an outside view, the arbitrary decision to task the MAP with patching up numerous technological holes can actually result in undermining the scientific and technical base of one of the few industries that has won world recognition.

Considering the highly severe civilian aircraft deficit that is strangling the Soviet economy, conversion of the aviation industry to producing wool-carding machines and leather-dyeing production lines has all the signs of senseless waste.

#### **Chairman of New Commission for Airspace, Traffic Control Interviewed**

*914H0108A Moscow PRAVDA in Russian 8 Jan 91  
Second Edition p 6*

[Interview with Marshal of Aviation A.N. Yefimov, chairman of the Gosaeronavigatsiya SSSR [State Commission for Airspace Use and Air Traffic Control attached to the USSR Council of Ministers], by V. Izgarshev: "The Skies Have a Boss"]

**[Text] A new organ of state control was formed recently: the State Commission for Airspace Use and Air Traffic Control attached to the USSR Council of Ministers (Gosaeronavigatsiya SSSR). Marshal of Aviation A. Yefimov, USSR people's deputy, noted Soviet military pilot, and twice Hero of the Soviet Union, has been appointed its chairman.**

[Izgarshev] Aleksandr Nikolayevich, PRAVDA wrote last year that our skies did not have a boss, and that this sometimes led to the most unexpected and unfortunate situations. Can we now say that the Soviet skies have a boss?

[Yefimov] We can answer in the affirmative. There is a boss. Though I will put it more modestly—there will be. You see, what we are about to discuss is a subject that was practically closed to the mass media for many years. For this reason, our society may not have a clear understanding of just how much the "health" of a modern state depends on the organization of airspace use and air traffic control (UVD). Yes, do not be surprised, this dependence is natural.

There is no other area where the interests of the national economy, defense, public organizations, citizens, and environmental protection are as closely interwoven and conflicting at the same time. So state regulation of airspace use is absolutely essential.

[Izgarshev] And this was also the reason for the creation of the USSR Gosaeronavigatsiya?

[Yefimov] Of course. At the same time, it is appropriate to point out that our society is many years late in establishing a system of state control in this field.

[Izgarshev] But they are striving to abolish and cut back the management structure in the country now. And they have set up a new government organ here.



[Yefimov] I should point out that the USSR Gosaeronavigatsiya was formed with the management structures of the Ministry of Defense and Ministry of Civil Aviation that exist, that is, without increasing the total number of persons in the work force.

[Izgarshev] All the same, Aleksandr Nikolayevich, why was it necessary to form the USSR Gosaeronavigatsiya? What public needs led to its creation?

[Yefimov] I don't think there is any need to prove that the economy, defense, science, the social area, culture, public health, the ecology, and international relations are directly associated with the organization of and provision for the safe, efficient, and rational use of airspace and air traffic control. Imagine how many flights are being made by aircraft for commercial, military, research, sports, medical, cultural, and other purposes at present. But after all, this is only part, and not the largest part, of people's activity in the airspace.

We cannot help but take into account that the real needs of society have led to a rapid increase in other forms of activity which are associated with airspace use or which constitute a threat to flight safety. Well, as an example, gunfire, rocket launches, work with explosives, the erection of high structures, and so forth.

[Izgarshev] In a word, the problems of air traffic safety have involved more than aircraft flights for a long time?

[Yefimov] I think it best that we illustrate the full extent and importance of these problems with an example. In 1989, it was a miracle that a collision between two Airbuses belonging to foreign airlines, resulting from errors in controlling their flight, was avoided. There were 700 passengers on board the aircraft. So there is a disaster, and along with the spiritual loss for which we cannot compensate, our state would have had to pay over a billion dollars in compensation at a time when the annual expenditures to maintain the entire air traffic control service was a little more than 80 million rubles. I will add that up to 500 aircraft belonging to foreign airlines fly in the country's skies every day.

[Izgarshev] Impressive. It appears, Comrade Marshal, that this "fifth ocean," boundless in the recent past, is now crowded for aircraft...

[Yefimov] Precisely. In many regions, the traffic density and the complexity of the situation in the air has reached the breaking point. On average, there are more than 90,000 aircraft flights every day in the country. At the same time, there are more than 6,000 aircraft, including hundreds of airliners, in the air which have up to 100,000 passengers on board. The intensity of firing, rocket launches, and operations with explosives is also high.

But air traffic density is expected to double by the year 2000. And we have to keep our eye on all the flights and control them.

[Izgarshev] Many of our readers are familiar with this entire problem only in the sense that once a year they fly to the Crimea or Sochi, and I don't think they have any idea of the complex organization of airspace use. And our discussion is certain to be a "revelation" for them. Why did the previous system—and there was one, after all—cease to be suitable and why did we have to develop a new one?

[Yefimov] There were serious flaws in the All-Union Unified Air Traffic Control System (YeS UVD SSSR) from the moment of its inception which predetermined its inadequate effectiveness. They included its complete subordination to two ministries (the Ministry of Defense and Ministry of Civil Aviation) which are the country's principal users of airspace.

[Izgarshev] I had occasion to hear that, according to International Civil Aviation Organization (ICAO) data, the level of air traffic safety in the USSR is half the average level in ICAO member countries and one-quarter the level in the United States. So is our ATC [air traffic control] system ineffective?

[Yefimov] It is probably not entirely correct to state it this way. Should we do without it? It would be bad altogether. But most of our ATC installations are noticeably behind in the extent of technical equipment, facilities, and equipment. There are only two automated airway traffic control systems in the country. With the present pace at which such systems are being developed, 100 years will be required to carry out the automation program. More than half the ATC radar stations do not meet modern requirements.

Taking this unfavorable state of affairs into account, the Government of the USSR made the decision to take urgent steps to create the USSR Gosaeronavigatsiya, which is independent of the users of airspace.

[Izgarshev] And what functions has it been given?

[Yefimov] Its main function is to provide for the safe, efficient, and rational use of airspace. In the first stage, this involves the establishment of a fundamentally new system of state control. We will have to perform a large amount of work dealing with legal, economic, technical, social, and other problems in a very short period of time. When these measures have been completed, the commission will be charged with full responsibility for organizing airspace use and air traffic control in the country, including direct supervision of the organs in its system.

[Izgarshev] As I understand it, we can tell our readers that the creation of the USSR Gosaeronavigatsiya is not the result of the "management games" that our society is so tired of, but the initial shaping of an entire management sector. On what basis, over what period of time, and with what funds do you plan to do this?

[Yefimov] The government has approved the plan and extremely short periods of time have been set to implement it. The measures of top priority should be completed before 1 April 1992. On the basis of the All-Union Unified Air Traffic Control System, and this means more than 200 centers located throughout the country, a modern All-Union system based on international standards will be created which meets the interests of the USSR and the sovereign union republics.

[Izgarshev] But the funds? Won't they be required, after all? Who will provide them?

[Yefimov] Part of the funds will come from the union and republic budgets and part from the airspace users. The taxes and air navigation fees which have been generally adopted throughout the civilized world are a potential source of funds (including foreign exchange). In developed foreign countries, they add up to billions of dollars a year. So the USSR Gosaeronavigatsiya not only does not intend to be a sponger, but it will be in a position to "earn" money itself.

[Izgarshev] Plans are plans, but there are complicated political and socioeconomic processes and problems in interethnic relationships in the country. Won't all this have a negative effect on establishment of the new air traffic control organ?

[Yefimov] It will have an effect. But we cannot continue without a new system. Experience has demonstrated the advantage of developing strong centralized national and international control systems.

The concept developed by the government makes it possible to adapt to practically any conditions of an All-Union contract and bilateral or multilateral agreements based on republics' sovereignty over their airspace. Moreover, I am convinced that the USSR Gosaeronavigatsiya, in interacting with the appropriate organs of state control in the republics, is capable of becoming an integrating link to ensure common rules and standards for regulating airspace use.

[Izgarshev] Have you mentioned experience in the activity of foreign and international ATC systems? Can you cite some examples?

[Yefimov] All developed countries have state programs which provide for priority development of national ATC systems. In the United States, Congress has appropriated 16 billion dollars for scheduled technical modernization of the Federal Aviation Administration (FAA). According to specialists, this program is third in importance there after the "Apollo" and SDI [Strategic Defense Initiative] programs.

In Europe, the international ATC system Eurocontrol, with 12 member countries, is operating successfully. In conformity with the latest decision by Eurocontrol member countries, it is planned to allocate 20 billion dollars for modernization of the system.

[Izgarshev] It is premature to speak about the results of the commission's work, since it is still being formed. But it certainly makes sense to say something about its prospects. How do they look to the chairman?

[Yefimov] I will say frankly that I am concerned about the plans by certain republics to develop their own ATC systems as part of commercial aviation associations. This not only is in conflict with modern principles for organizing air traffic control, but it will also lead to a decline in the level of air traffic safety.

Problems associated with "the human factor" are a source of considerable concern. This is what is involved. Problems of the legal status of ATC specialists, primarily the air traffic controllers, who bear the principal burden in providing for flight safety, and provision for their work, relaxation, and everyday living conditions must be resolved without delay.

[Izgarshev] I would not like to end our discussion on a pessimistic note, Aleksandr Nikolayevich.

[Yefimov] Neither would I. Not all of us are unhappy, fortunately. The very fact that the USSR Gosaeronavigatsiya has been formed and there are well-grounded calculations that the current world level in organizing airspace use and air traffic control in our country will be reached as quickly as possible is a source of satisfaction.

## RAIL SYSTEMS

### Collegium Examines Rail Performance

914H0111A Moscow GUDOK in Russian 16 Feb 91 p 1

[Article: "The Talk Was Sharp: in the Collegium of the MPS"]

[Text] An expanded meeting of the Collegium of the MPS [Ministry of Railways] and Central Committee of the Trade Union was held on 14 February. It was devoted to the results of the work of railroad transport in the 12th Five-Year Plan and measures to carry out the plans for transport in 1991 and ensure the stability of the sector's work under the conditions of converting the country's economic system to market relations.

The report of N.S. Konarev, minister of railways, and the speeches of most of the road directors gave a detailed analysis of the results of the sector's work in the last five-year plan and discussed proposals to normalize its activity under the conditions of the substantial drop in production volumes, the deterioration of material-technical supply, the destabilization of the country's economic situation and the exacerbation of many social problems.

The financial situation that has formed in the sector seriously alarmed the participants in the collegium. Given the existing tariffs for freight and passenger transport and the sharp rise in prices for electric power, fuel, locomotives and railroad cars, the roads will soon go

bankrupt. Under these conditions, the State should take care of transport, today and in the future, although, as many people noted, the railroad workers themselves by no means made use of all the reserves.

The discussion turned out to be frank and arguments sometimes arose on the most critical problems. In summing it up, the minister emphasized that problems such as material-technical supply, tariffs and social protection for transport workers could not be solved without the help of the government.

V.Kh. Doguzhiyev, USSR first deputy prime minister, V.I. Tsyganov, deputy chairman of the Commission for Problems of Transport, Communications and Information Science of the Soviet Union for the USSR Supreme Soviet, people's deputies of the USSR Supreme Soviet and executives of USSR Gosplan [State Planning Committee] and Gossnab [State Committee for Material and Technical Supply] took part in the work of the collegium.

A detailed report of the collegium meeting will be published in one of the next issues.

### **Rolling Stock Repair Scored**

914H0115A Moscow PRAVDA in Russian 4 Mar 91  
Second Edition p 4

[Letter from A. Voznyuk, foreman of the railcar depot, Korosten Station, Zhitomir Oblast: "What Ails the Railcar"]

[Text] I have been working in railroad transport for over 30 years. It pains me to realize that passenger and freight transport is unsatisfactorily carried out in the country. There have been no improvements during the years of perestroyka and I think that there will be none. The so-called Belorussian method in railroad transport dealt an irreparable blow to all the transport units of this gigantic conveyer, and had an adverse effect on the quality of rolling stock repair and on the health of the workers. It was necessary to lay off three managers out of four—track workers, car repairmen and diesel locomotive workers were laid off. Now the few repairmen that are left clearly cannot manage to inspect the freight trains arriving at the station: to see if there are breaks or fractures of the car parts, which can lead to accidents and wrecks. One gets the impression that we have gone too far up a dead end, and the engineer does not know how to get out of it.

The minister rushes from one extreme to another: he demands receipts from the railroad workers with pledges not to strike, he plans to raise the tariffs for freight transport by 100 percent, and passenger tariffs—within the range of 40 percent, and to improve the social-everyday conditions for the railroad workers, not through the MPS budget, but through the enterprises' funds. Where can they get these funds? The managers only "help" to seize profit from the enterprises. The collective of the Korosten railcar depot, for example,

earned 130,000 rubles of profit in 1987, and the collective was left with 30,000. In 1988, the profit was 280,000, and the depot was left with 28,000. Will the collective do better work? Hardly. The workers say: the Party members will still seize the profit for themselves, for higher wages and bonuses. The equipment in the depot shops is worn out, and we are plagued with breakdowns every day. The everyday conditions are poor, there are not enough dining halls, washstands, showers and refrigerators. Not all the shops have drinking water. The people are afraid....

Does transport really have no economic specialists to weigh all the facts and consider how to bring transport out of its lingering illness? I think that the situation can be put right. The state of affairs in the brigades of track workers, railcar men and those from the locomotive depot must be studied and known in order to have any improvement. Finally, they must understand that there are more people in the administrations than there are working alongside the freight and passenger trains.

On the television screen, people often see thousands of containers that have not been removed and mountains of freight for the consignees that have not been unloaded. The comment—there are no cars for loading. And there will not be any! The situation grows more complicated every year. The reason? It is not the boss of the car. No one worries about its preservation and operability. At the car depots, I am not afraid to say it, they are engaged in anti-State practices, they look for planned repair, and they force out, at all the stations and flag stations, cars still in good working order, but not in the periods established as befitting depot repair. Repair amounts mainly to replacing wheel pairs and couplings, painting a little here and there, placing a new stenciled legend on the repair work done and, as they say, "Vaya con Dios". Cars that really require repair pile up in whole trains at stations or shuttle in trains—no one takes them for loading. There are thousands of these cars!

I suggest revising the plans for repairing the freight cars of the MPS for all USSR car depots. The plans, in particular, should specify delivering to the depot for repair only cars for an increased and heavy amount of repair, unfit for loading. It is these cars that the repair collectives of the car depots should be interested in repairing. For this, the plan for repair should be corrected accordingly, taking into consideration the seriousness and necessary length of time for the repair in physical units, with the cost of repair estimated according to the condition of the car. The car bosses must assign the workers of the station freight shop. They will be the arbitrators in the question of selecting cars for repair.

At present, the monthly plan for depot car repair is 400 units. If the car depots make the transition to the variant that I suggest, of an increased amount of car repair, they will naturally repair fewer than 400 cars monthly. Therefore, the auxiliary shops of the car depot will reduce the number of car parts repaired—this will help free some of

the people. They can be transferred to car body repair—the most labor-intensive and lengthy process. This means a reduction in the time taken to repair the cars, and a rise in the quality of the work performed.

The last suggestion: permit the car depot collectives to repair, outside the plan, all the damages from loading, unloading, shunting operations and other work and other conditions of the cars, at the guilty one's expense—be it an enterprise or an individual. The appropriate documents should be formalized by the car boss—a station freight department worker.

I understand perfectly well that not everyone will be interested in analyzing these fine points of railroad work. The railroad workers, however, will understand me perfectly well and, I am sure, will support me.

### **Odessa RR Chief on Market Economy, Problems**

*914H0112A Moscow GUDOK in Russian 13 Feb 91 p 2*

[Interview with Mikhail Artemovich Guryev, chief of the Odessa Railroad, by M. Gorvis, GUDOK correspondent: "From the 'War of the Laws' to the 'War of the Tariffs'"]

[Text] Because of its specific features, it is not at all easy for railroad transport to enter a market economy. Many questions and problems arise that require immediate solutions. Mikhail Artemovich Guryev, chief of the Odessa Railroad, is interviewed by our GUDOK correspondent on the way in which the mainline is preparing for the transition to market relations.

[Gorvis] At the end of last year, an MPS [USSR Ministry of Railroads] collegium was held, at which fundamental problems of the sector's transition to market relations were discussed....

[Guryev] Unfortunately, I did not have occasion to take part in the work of this collegium. To speak to the point, however, we have very many problems, which—alas!—have not been solved.

You know, of course, that a great deal has been said and written recently on the "war of the laws" in the country. Well then, according to the Union Law "On Property in the USSR", the railroads are State Union property. Article 4 of our republic's Law "On the Economic Independence of the Ukrainian SSR" states that transport is the property of the Ukraine. Even more surprising, both laws are in effect, which puts the railroad workers in a very difficult position.

What is happening? On the basis of these laws, the councils of ministers of the USSR and the UkSSR issued their own decrees, but their content is completely different. As a result, the MPS, considering the roads to be Union for service of the Ministry of Communications, beginning on 1 January of this year, would be 1.17. Approximately a month later we received the decree of

the Council of Ministers of the UkSSR, which established the coefficient as 1.75. Which of the two coefficients should our railroad workers use when working out tariffs and prices? If we use the Ukrainian coefficient, the road incurs additional expenditures. The Odessa subdivision of signalization and communications alone will be forced to spend over 100,000 additional rubles for this purpose. The work collectives of other subdivisions will find themselves in a serious situation.

The same tariff distortions are now forming with the coefficients for use of electric power. In order to make ends meet, railroad workers will in turn be forced to increase tariffs for freight and passenger transport. The "war of the tariffs" is being added to the "war of the laws".

We feel that the railroads should remain, union property, as before, and that only Union laws, tariffs and prices are compulsory here.

[Gorvis] The "carrot and stick" built in to a market economy, as we know, is not yet in effect, but the roads have already received the draft of an order from the ministry on the transition to market relations. Do all these statutes meet the urgent demands of the road under the new conditions? What does the rise in tariffs promise for freight and passenger transport?

[Guryev] We have studied the draft of the ministry's order carefully. It is drawn up in a somewhat unusual way: in the form of a document in an information-order manner, and gives hope that the USSR Supreme Soviet, the Cabinet of Ministers and the Union departments and organizations will solve a number of vitally important problems. We still do not know how it will turn out in practice, and quite a few problems have already accumulated. What worries us most of all is that the USSR Supreme Soviet has not yet adopted the "Law on Railroad Transport", and also, what the special features will be in the application of the Law "On Enterprises in the USSR", to railroad transport.

It is February on the calendar, but so far we have no clear-cut plan of social-economic development for the road this year. The problem of financing the roads remains open, and we still do not know the size of the funds that we will earn for freight and passenger transport.

As soon as we received the indices and coefficients of prices for fuel, electric power, equipment and materials, the economists estimated that to cover the ever-increasing expenditures (not counting profitability), freight tariffs would have to be raised by 45 percent, and passenger tariffs by 50 percent.

As for local contractual tariffs, a special group was created and is in operation in the road management to work them out. A number of the tariffs prepared by the group have been discussed, approved and are already in use on the road.

I will say frankly, however, that the rise in tariffs gives no certainty that all the bottlenecks in our economy will be resolved. Let us take the problem of acquiring new railcars and locomotives, equipment and other devices. Until recently, we meticulously deducted considerable sums for the centralized MPS fund. Now they tell us: these funds remain at the railroad's disposal, buy the equipment yourselves. We find no particular joy in this independence. This year, the prices for imported passenger compartment cars jumped several-fold, and the wholesale prices for electric locomotives rose considerably. How will it turn out? Right now we must acquire 45 passenger cars, for which 151 million rubles will be needed. We have only 1.7 million. Consequently, the road will be able to acquire only one (!) compartment car or 10 domestic reserved-seat cars. There is no question of purchasing electric locomotives. So we are wracking our brains: where can we find the money?

[Gorvis] What economic difficulties will the road face because of this? Can it count on raising profitability?

[Guryev] It is so far impossible to answer these questions unequivocally, even though we know how to earn the money. The funds must be procured not only through increasing the transport volume, but also through expanding services to consignors, consignees and passengers. We clearly understand the need, and are developing subsidiary-auxiliary activity further. We will pay particular attention to introducing leases and setting up small enterprises.

The time has come to permit the roads or the ministry itself to work out and introduce new tariffs for the idle time of cars during loading operations. In our opinion, this price must be established by the car-hour, so that the roads are guaranteed reimbursement not only for the symbolic, but also for the actual losses, and so that the clientele would incur serious material punishment for the idle time of the cars. Perhaps this will finally help to solve the well-known problem of "warehouses on wheels".

Our financial situation is complicated by the heavy losses from paying for fines, damages in work, and lack of safekeeping reliability in transport, which amounts to paying out millions of rubles yearly.

As for wages and benefits for the railroad workers, we see no possibility of raising them on the road. Look what happens in practice: on the one hand—we are permitted to send part of the profit to the consumption fund and increase it because of the growth of volume and services, and on the other hand—the existing system of taxation makes it impossible to do this.

We feel that the problems of railroad transport workers' wages deserve detailed discussion at the level of the Union government. Everything must be done to bring them into conformance with other leading sectors of the country's national economy. This is especially important under the conditions of market relations, which promise very unpopular measures at the early stages.

The year began for the Odessa railroad workers with something unexpected: we do not know the revenue rates. We are essentially working blindly, and do not know how much we will earn and which funds we can count on.

Things are by no means going well in transport planning, either. Sometimes the road is suddenly, like a bolt from the blue, "lumped" with over 1,000 loaded cars of carbamide or mazut, as happened at the end of last year. The clients were fined, of course, but, quite frankly, we lose immeasurably more from this.

People may argue with me: what about the State order? Yes, the MPS is improving the volumes of transport with respect to a certain products list of freight. This by no means, however, always corresponds to the actual situation, that is, to the orders of the consignors. This is the way it turns out: the plans for the State order are not fulfilled, not because we have been unable to provide them with rolling stock, but because the clientele does not present this freight.

We have repeatedly submitted a proposal to eliminate State orders to ship freight and to plan the volumes according to the consignors' orders. Another variant is possible: when the freight is not presented, the road itself eliminates it from the State order. It is a question of granting the roads the full right to form and change, independently, the yearly, quarterly and monthly plans, on the basis of the orders from the freight owners.

After all, our road is special. One-fifth of all the freight processing goes to serve eight seaports and the Iliyevsk-Varna international ferry. Our well-being depends to a considerable extent on the continuous rhythm of the entire transport conveyer, at sea, and ashore.

The draft of the ministry's order emphasizes that the basic foreign economic activity of the railroads under the conditions of the transition to market relations remains, as before, export-import and transport of freight and passengers in transit in international service. This activity should become a serious and full-blooded source of currency revenue for the road. We completely agree with this. The problem has become really urgent: the seaport receives currency for processing freight, reducing the idle time of ships and transporting exported and imported freight, and the railroad receives—nothing. In addition, the need arose long ago to revise the obsolete regulatory documents and instructions between the maritime ports and the port stations serving them. These interrelations should be built only on a contractual and absolutely mutually advantageous base.

Thus, we still have many problems and unresolved questions.



**Belorussian RR Chief Cites Economic Woes**

914H0111B Moscow GUDOK in Russian 14 Feb 91  
pp 1-2

[Article by S. Shkapich, chief of the Belorussian Railroad: "A Survival Procedure"]

[Text] "Toward prosperity or toward failure?"—A. Andreyev, former director of the Belorussian Railroad, asked this alarming question on the pages of GUDOK on 1 September of last year. At that time, on the threshold of the market, after carefully weighing and considering its possibilities, specialists of the Belorussian Road were forced to come to the conclusion that the normal vital activity of the mainline in the coming year was impossible. It is hindered by the "discrepancies" existing for all the railroads, when the possibility of increasing revenues is artificially limited, but, for reasons beyond the power of the railroad workers, expenditures are growing inordinately.

Today the calendar says 1991, and we are forced to admit that our worst expectations were not only justified, but have even surpassed all the predictions. The transport tariffs have remained virtually unchanged, but on the other hand, our expenditures have proved to be much greater than predicted last year. As a result, the road budget deficit has increased by a factor of 3.5, including that for the consumption fund, by 115 million, and for the accumulation fund, by 272 million rubles. In this situation, even if the impossible happens—the rise in prices stops and we maintain our expenditures at today's level—it does not matter if we work profitably, the road must increase its revenues from one to 2.17 billion rubles. With a steady reduction in transport volumes, the reasons for which lie in production relations that have gone wrong, republic laws on protecting the consumer market and political conflicts, but in no way because of the railroad workers' lack of desire to work—it is impossible to increase revenues by a factor of 2.5 without changing the tariffs.

This is despite the fact that the starting conditions for the Belorussian Railroad in the transition to the market were among the best on the network. Many years of stable work made it possible, in just the last five years, to ship 21.2 million tons of freight above the planned assignment, and to obtain 85 million rubles of above-plan profit. Almost everything that the road earned went toward the technical development of the mainline—updating the rolling stock, construction of second tracks, automation of the transport process. The program for housing construction was on an even larger scale.

The Belorussian economic experiment created good prerequisites for this. We transferred some of the people to the nonproduction sphere. As a result, in the last five years, labor productivity on the road rose by 27 percent, and the average wage increased in proportion to it, by 80 rubles and more. The technical measures that we carried

out in the course of the experiment have not been exhausted even today, and have created a basis for new, more efficient technology.

The second stage of the economic transformation for the Belorussian Road came in January 1987, when it was the first on the network to begin work under conditions of full cost accounting and self-financing, that is, stopped existing at the expense of the MPS and began to make its expenditures commensurate with its revenues.

The market is the third natural stage of economic reform. It is, very likely, the most serious and critical stage, and particularly needs a preparatory period. If we really intend to enter into market relations, for a start, we should acknowledge the indisputable law of the market: every commodity costs as much as it actually costs. The producer who does not cover his expenditures and stubbornly works "for himself at a loss", cannot exist under market conditions. Just what is railroad transport, if it is not such a commodity. That is why market relations between railroad and passengers and freight consignors can be built only on a mutually advantageous basis.

Disregard of market interests has led to the fact that railroad transport is now operating at a loss. Not a single sensible manager will begin to increase transport volumes at the existing tariffs, even if there are possibilities of this. After all, the more freight a railroad enterprise transports, the higher its losses. This means that the main condition, without which transport's transition to the market is impossible, is an increase in transport tariffs, in accordance with the true cost of "railroad production".

Freight tariffs for local service in our country have now increased by a factor of 3.1. This makes it possible to obtain an additional 134 million rubles. Active negotiations are being made with oblispolkoms and the Belorussian Council of Ministers on increasing tariffs in suburban passenger transport as well. This will add another 32 million rubles. The anticipated 70

increase in the cost of passage for passengers in through service will yield 35 million rubles.

I foresee the objections of the opponents of raising prices: instead of inflating the cost of transport, try to reduce expenditures and eliminate all inefficient expenses, and look for additional sources of revenue. All right, the objections are sensible. We have also gone along this path.

Not only the road, but also the collectives of all the subdivisions have worked out their own program for strengthening the economy, which has been picturesquely nicknamed "The Survival Program." In order to become familiar with the details of the proposals of each division, the road management, in January-February, conducted a commission circuit, and many of the division programs are now being completed according to its results. The programs do not resemble each other in their

details, but their main direction is maximum saving of expenditures and maximum increase in revenues, through basic and mainly through subsidiary-auxiliary activity. The enterprises of all the services must give paid services to the population, produce consumer goods and engage in agriculture.

To paraphrase a proverb, piemakers will stitch boots, and bootmakers will bake pies. All the profit from subsidiary-auxiliary activity will be increased by 35 percent over last year and, it would appear, will be the only profit for the road. The sad results from January made us come to this conclusion. Despite the fact that the plan for freight shipments was overfulfilled by 6.6 percent and all the orders of the dispatchers were satisfied, the loss from operations work was 1.2 million rubles. On the other hand, subsidiary-auxiliary activity yielded 3.7 million rubles of profit. This got us out of trouble.

The present economy of railroad transport is full of such absurdities. Not only is it unprofitable for railroad enterprises to engage in their basic activity, but it is also unprofitable for us to work particularly profitably now. Why, let us say, must our collective give 65 percent of its profit to someone somewhere, and moreover, without return—are we really self-financing? A true manager will thus try to bring a balance, so that the expenditures equal the revenues, and not a ruble more. One can, therefore, exist this way in this "Time of Troubles," but must not develop further....

So how are we planning to economize? Almost on matchsticks. The "Survival Programs" propose cutting the fleet of shunting locomotives—it should correspond to the work performed. It will be necessary to cancel about 30 sparsely traveled suburban trains and to get rid of some road switchers. Since the work volume has been reduced, some of the engineers and assistants will be faced with being shipped to tours of duty on other roads—more than 100 of our locomotive engineers now find themselves there. In order to economize here and there, we will be forced to convert almost to an "economy in kind." For example, capital repair of locomotives at the plants of the MPS will cost 28 million rubles more per year, and therefore we will organize plant repair of some types of electric locomotives and mainline and shunting diesels at their depot base. We will treat passenger cars the same way.

We are also planning to pump out revenues from virtually everything. We will immediately increase the shipping of construction and other freight, and there will be additional receipts from the sale of bed linen and additional revenues from loading-unloading operations, redistribution of operating expenditures at the stations and services to repair access tracks, cars and locomotives of non-railroad enterprises, turning rolling stock over for leasing and raising the tariff for the use of telephones. It is impossible to enumerate all this.

We have set up close contacts with the republic's government and have agreed with the Council of Ministers that half the cost of constructing the Minsk terminal should be financed from the republic's budget. The republic is giving monetary aid to renovate the motor car depot in Minsk. Its funds will partially pay for the priority capital repair of the tracks on divisions that suffered from the Chernobyl accident.

Even if all the things outlined succeed, the budget deficit of the road will still constitute at least 70 million rubles. There is no longer really anything to fill up the gaps. Only, really, to mothball or shut down all the low-activity routes or to begin mass dismissal of people. After all, on the basis of the January work volumes, there are now about 8,000 "superfluous" people engaged in operations.

Another thing. The technical resources of railroad transport on all the country's mainlines are in a terrible state. They are not ready to increase the volume of transport nor to improve its quality. The Belorussian Road is no exception here. We can enumerate how many kilometers of our tracks need repair, how the locomotive and car fleet has been killed off, and what a woeful state machine tools and freight mechanisms are in. Each railroad has these figures, though—I repeat, the situation is common to the entire country. Therefore, the main task of the transitional period is to modernize the technical base and put the fixed capital of the railroads in a healthy state, which cannot be done either by using the roads' funds or by MPS money. The only way out is State-economic financing. This means that our State, which has a budget deficit, should still, for a while, take on the care of the technical development and revival of railroad transport. That is, only the principle of cost recovery will be in effect on the roads, and self-financing will have to be abandoned for the time being.

All the same, I should not like to rule out completely the possibilities of new economic relations. The geographical position of the road is quite unique—its boundaries virtually coincide with the boundaries of the republic, and therefore we will always have a considerable volume of local operation. It yields almost half of the ton-kilometer revenues. This is already a completed process. On the basis of a road such as the Belorussian, it is possible to build a model, new in principle, of economic relations, transferring some of the railcar fleet to its jurisdiction. For roads with a large transit volume, State financing is possibly the only sensible form of economic relations. But then, why the artificial uniformity?

So far, the details of the new model have not been established—it requires serious help from scholars. We will inevitably arrive at the need for these transformations. They will be the next stage of economic reform in transport, the natural development of the Belorussian economic experiment.

### Crimes on Central Asian Railroad Investigated

914H0115B Tashkent PRAVDA VOSTOKA in Russian  
16 Jan 91 p 3

[Article by A. Krivtsov: "To the Rumble of the Car Wheels: The Number of Offenses and Crimes on the Central Asian Railroad Is Growing"]

[Text] Life has become harder, life has become difficult. This slightly edited motto from the time of the "great helmsman", which most fully reflects the present state of society, can rightfully be applied to all those who use the services of the Central Asian Railroad. Alas, violations of the law increased noticeably in railroad transport last year. The worries of the Central Asian transport public prosecutor increased accordingly. The year's results have not yet been summed up, but let us say that in just nine months, the organs of procurator supervision, as the result of 547 inquiries, lodged protests against 84 unlawful acts, submitted 390 reports, warned 398 officials on the inadmissibility of violating the law and instituted disciplinary action against 360 persons.

The legal protection authorities for transport are making the biggest fuss of all in the sphere of economics. This is understandable. There is perhaps no other enterprise in the country which has as many partners in economic relations as the railroad. The bigger the deals concluded by contracts, the higher the probability of breaking the law.

The imbalance in economic relations and the poor contractual discipline of the partner-enterprises have led to the fact that in nine months the overtime work of the locomotive brigades increased by 4 percent, and constituted a total of 614,245 hours. The percentage of overtime work in the Tashkent region and the Fergana, Chardzhou and Ashkhabad divisions has doubled or tripled as compared with the average for the road.

In this same period, 5 train wrecks, 24 collisions with motor vehicle transport, and 50 cases of self-uncoupling were recorded. For various reasons, 1,285 cars were damaged—the damage incurred cost over 200,000 rubles, which is considerably higher than last year's figure. This is with the very severe shortage of cars on all the road divisions. Virtually all the damages to the rolling stock stemmed from the negligence of the workers of the transport and track services. Sovereignty is sovereignty, cost accounting is itself, but money on the railroad, has been "the people's", and remains so. Therefore, there is no one to deduct it from, except from our own State.

The fulfillment of the train traffic schedule is a very important criterion in evaluating economic activity on the railroad. Alas, the railroad workers have nothing to boast about here, either. In the first six months, the passenger train traffic schedule, with respect to runs, was only 25 percent fulfilled. The overall time for delays increased considerably and was 1,390 hours. All right, the passengers of the Central Asian Railroad, by the way,

just like any other road in our country, are hardly surprised at this. After all, when a train does not arrive in accordance with the posted schedule, it is the young girl at the information desk that copes with it....

The results of the inquiries attest to the fact that the main reasons for the disruption in the traffic schedule are the unsatisfactory technical state of the railcar fleet and locomotive breakdowns, as well the intentional holding for "windows" when construction and track work are being performed.

The idle times of cars for unloading and loading have become a constant topic of conversation among managers and railroad workers. Every day, 200-300 cars stand idle for above-norm periods for these operations. In just the course of the first to third quarters, enterprises and organizations were charged 12.2 million rubles in fines for the idle time of cars—as against 10 million for the same period in 1989.

The measures of the public prosecutor's response to such facts apparently made no impression on some directors. The subdivisions of Uzgoskoopkomselkhoz, Uzbekbrlyash, the Ministry of Housing and Municipal Services and the Ministry of Light Industry of the republic, the Uzsortsemovoshch Association and others pay the railroad tens of thousands of rubles in fines every year. It is clear that loading and unloading cars is also a troublesome matter, and it is simpler to pay, at the State's expense, for their own mismanagement.

Direct misappropriations, which in railroad terminology are shyly called "failure to keep freight safe", are another matter. Plunderers of all different classes filched almost four-fold more freight from the railroad last year than they did in 1989. In nine months of last year, the thefts amounted to a total of 2,287,000 rubles. They pinch, as we know, something tempting that is lying around. Judging by the figures, there are really a lot of tempting things lying around, particularly at the Leninabad, Sergeli, Shumilova, Namangan and Chardzhou stations.

Let us note: The stealing is usually done at stations—and at the intermediate and end points. It is here that the most favorable conditions exist for plunderers. At the Fergana Division of the road, for example, cases of thefts are most often received for official investigation several days after they are discovered. At the Akhunbabayeva Station they do not bother with this at all, neatly filing away reports of uninvestigated thefts.

In addition to the "uninvited guests", there are also many plunderers among the railroad workers themselves, as the inquiries made by the organs of procurator supervision attest. Criminal proceedings have been instituted against over 60 persons for freight theft. Over 450 road workers have been made answerable for various types of law violations by the legal protection authorities for transport.

For example, Garshin, the former chief of the locomotive depot of the Samarkand Station, and Tkachenko, his

deputy, were in flagrant violation of the law for a long time. Material aid was ordered for the members of the work collective at the depot, but the chief and his deputy appropriated the money for themselves. Garshin and Tkachenko also covered up violations of the law among their subordinates and set up a special "queue" for the assignment of housing space and motor vehicles for personal use. A criminal case was brought and is being investigated in accordance with these facts.

The workers of the road's VChD 16 depot were paid about 14,000 rubles illegally. The write-ups of the travel nature of the work were made here under the precise guidance of the technician Osipova. At the same depot, after the regular collective drinking bout, Yermolov, chief of the refrigeration section, was killed. His three drinking companions carried the body to the depot territory and, after pouring solar oil on it, cremated it.

There are not many cases like this, of course, but all the same, the picture being formed on the road is in general not a happy one, to put it mildly.

The statistics of the work of the transport public prosecutor are apathetic: to the rumble of the car wheels and the noisy legal-creative activity of the parliamentarian, with the zeal of darners unraveling the shirt of the Union's economy at the seams, the number of crimes on the railroad is growing.

It remains only to add that joint collegiums and meetings of the technical-economic council of the road, public prosecutors and transport police were held, concerning all the violations of the law listed during the course of the entire year, and appropriate preventive measures were worked out. Let us hope that all this will lead to the appropriate results.